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EGYPT FINANCIAL SERVICES PROJECT

QUARTERLY PROGRESS REPORT

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Table of Contents

Introduction	1
SECTION I: Executive Summary	1
ASSESSMENTS AND ANALYTICAL STUDIES PREPARED THIS QUARTER.....	7
OTHER ASSISTANCE PROVIDED DURING THIS QUARTER	7
SECTION II: Progress Report by Task	8
TASK 1: ESTABLISH A SUPPORTING FRAMEWORK FOR THE REAL ESTATE FINANCE INDUSTRY	8
A. Activities Performed During Quarter	8
B. Activities Scheduled for Next Quarter	17
C. Challenges Encountered and Proposed Remedial Actions	17
TASK 2: IMPROVE OPERATION OF URBAN REGISTRATION SYSTEM IN THE MINISTRY OF JUSTICE	19
A. Activities Performed During Quarter	19
B. Activities Scheduled for Next Quarter	23
C. Challenges Encountered and Proposed Remedial Actions	24
TASK 3: DEVELOP FRAMEWORK AND PROCEDURES FOR SECURED LENDING AND NEW FINANCIAL INSTRUMENTS	25
A. Activities Performed During Quarter	26
B. Activities Scheduled for Next Quarter	31
C. Challenges Encountered and Proposed Remedial Actions	31
TASK 4: ESTABLISH A BROAD-BASED CREDIT INFORMATION SYSTEM	32
A. Activities Performed During Quarter	32
B. Activities Scheduled for Next Quarter	35
C. Challenges Encountered and Proposed Remedial Actions	36
SECTION III: Project Management, Monitoring and Evaluation	37
ANNEXES	
ANNEX 1: EFS YEAR 1/Q2 ACTIVITIES STATUS MATRIX	39
ANNEX 2: SHORT-TERM INTERNATIONAL ADVISORS FIELDED THIS QUARTER	54
ANNEX 3: TRAINING/EVENT ACTIVITIES DELIVERED DURING QUARTER	55
ANNEX 4: LIST OF DIRECT PROCUREMENT DURING THIS QUARTER.....	55
ANNEX 5: EGYPT FINANCIAL SERVICES PROJECT LONG AND SHORT-TERM STAFF	55

Acronyms

ABS	Asset-backed securities
AI	Appraisal Institute
ALC	Arab Legal Consultants
BDA	Bond Dealers Association
BOD	Board of Directors (of the Mortgage Finance Authority)
CAPMAS	Central Agency for Public Mobilization and Statistics
CASE	Cairo and Alexandria Stock Exchanges
CBE	Central Bank of Egypt
CMA	Capital Market Authority
CRA	Commercial Registry Authority
COP	Chief of Party
CORS	Continually Operating Reference Stations
DO	Egyptian Survey Authority District Office
DvP	Delivery versus Payment
DTGS	Direct Transfer Gross Settlement System
EAA	Egyptian Appraisers Association
EALB	Egyptian Arab Land Bank
EBA	Egyptian Bankers Association
EBI	Egyptian Banking Institute
ECMA	Egyptian Capital Market Association
EDO	Egyptian Survey Authority District Office
EFS	Egypt Financial Services project
EHFC	Egyptian Housing Finance Company
EIMA	Egyptian Investment Management Association
EISA	Egyptian Insurance Supervisory Authority
EJA	Egyptian Judges Association
ELA	Egyptian Lawyers Association
EMBA	Egyptian Mortgage Brokers Association
EPO	Egyptian Survey Authority Provincial Office
ESA	Egyptian Survey Authority
EREA	Egyptian Real Estate Association
ERESA	Egyptian Real Estate Surveyors Association
FinBi	Finance and Banking Consultants International
FTC	Federal Trade Commission
FSVC	Financial Services Volunteer Corps
GAFI	General Authority for Free Zones and Investment
GOE	Government of Egypt
GSF	Guarantee and Subsidy for Real Estate Activities Fund
H&A	Hassouna and Abou Ali Law Firm
IFC	International Finance Cooperation
IFS	International Federation of Surveyors (Egypt Chapter)
IHF	International Housing Finance
ILS	International Land Systems, Inc
IPF	Investor Protection Fund
KRA	Key Results Area
MBA	Mortgage Bankers Association
MCDR	Misr for Clearing, Depository, and Registry
MFA	Mortgage Finance Authority
MFC	Mortgage Finance Company
MLS	Multiple-listing Service
MSAD	Ministry of State for Administrative Development
MOF	Ministry of Finance
MOH	Ministry of Housing
MOJ	Ministry of Justice

MOI	Ministry of Investment
MOU	Memorandum of Understanding
NASD	National Association of Securities Dealers
NCJS	National Center for Judicial Studies
NIB	National Investment Bank
OST	Overseas Study Tour
PEA	Project Execution Agreement
PGF	Payment Guarantee Fund (Guarantee Fund)
PO	Provincial Office (of the Egyptian Survey Authority)
PIN	Parcel Identification Number
PMU	Project Management Unit
QPR	Quarterly Progress Report
QSIT	Quality Standards Information Technology
REPD	Real Estate Publicity Department
RFP	Request for Proposal
RO	Registry Office
SEC	Securities and Exchange Commission
SII	Securities and Investment Institute
ST	Short Term
TDL	Training Development Laboratory
UCD	Universal Cadastral Database
UNCITRAL	United Nations Commission on International Trade Law
USAID	United States Agency for International Development
YEBA	Young Egyptian Bankers Association
Z&K	Zarrouk, Khaled & Co.

Introduction

This Quarterly Progress Report (QPR) summarizes the technical assistance provided by the Egypt Financial Services (EFS) project during Quarter 3 of Year 1 (July 1 – September 30, 2005).

The EFS project divides its activities into four main tasks, each with key institutional partners and specific activities designed to achieve objectives defined in the EFS Year 1 Work Plan.

Task 1: Establish a supporting framework for the real estate finance industry

Task 2: Improve operation of urban real property registration system

Task 3: Develop framework and procedures for secured lending and new financial instruments

Task 4: Establish a broad-based credit information system

The executive summary provides an overview of project accomplishments to date, a list of technical reports prepared during the quarter, as well as a list of other significant materials provided to USAID and/or counterparts. Following the introduction, each task's progress and achievements are presented separately. A final section addresses EFS project management and its monitoring and evaluation component. Annex materials provide reference for:

- EFS Year 1/Q3 Matrix of Accomplishments and Activities Status
- EFS training/events delivered during the quarter
- Direct procurements
- Short-term advisors fielded during the quarter
- EFS long-term staff.

SECTION I: Executive Summary

EFS Project Overview

Mortgage Finance (Task 1)

The EFS mortgage finance development initiative (Task 1) addressed a number of areas key to developing the mortgage finance industry:

- MFA organizational structure and operations.
- Real estate-related associations and training.
- Assistance to mortgage finance companies.

A new Mortgage Finance Authority (MFA) chairman, Osama Saleh, and deputy chairman, Ashraf El Kady, were appointed in August. In July, the MOI appointed Sherif Oteifa as the new mortgage finance advisor to the Minister of Investment. Changes at the executive level necessitated EFS bringing counterparts up to speed on EFS work to date and integrating the new leadership's vision and priorities into EFS' ongoing work.

On the MFA operational side, EFS continued to make significant progress toward completing specific objectives of the work plan. This included a concept paper and a presentation on the Guarantee Subsidy Fund (GSF), and a draft MFA Business Plan. All were presented to MFA executives and the board of directors for discussion and comment. Portions of the GSF concept paper were presented to the prime minister and minister of investment in July by the former MFA chairman, Dr. Torgoman. EFS' work served to present and clarify important distinctions between the MFA and GSF roles and functions, including their different capital requirements and capital profiles. Discussion of the MFA and GSF assisted in the creation of a draft business plan, which is now under review by the MFA Board of Directors (BOD).

EFS made significant progress in the legal and regulatory area. A legal work plan was developed and a Legal Working Group was formed. The plan includes improving the model mortgage contract and addressing disclosure, borrower protection, and foreclosure within the existing legal framework provided by the Egypt's real estate finance law. A concept paper on critical legal issues to be addressed was also completed this quarter. Experts prepared draft reports on qualifications and regulations for foreclosure agents and standardized borrower protection. The MFA executive management and BOD are reviewing EFS work completed to date.

EFS' IT department completed a "Mortgage Finance Authority Information Technology Needs Assessment" (Technical Report #12) this quarter and RFPs for equipment procurement and services were released in July. EFS is now reviewing best and final offers (BAFO) and anticipates that the MFA's IT needs to be met in Quarter 4. An IT training needs assessment was also completed.

Building upon work completed by the U.S.-based Mortgage Bankers Association (MBA) and the Appraisal Institute (AI), EFS launched two training initiatives to improve the level of training for real estate professionals and engage real estate-related associations in the delivery of profession-specific training programs.

EFS engaged CampusMBA, the education arm of the Mortgage Bankers Association and members of the newly established Egyptian Mortgage Association to deliver a five-day "Primary Mortgage Lending" course in September. The program included a training-of-trainers (TOT) component. This was followed by the new trainers delivering the program, under MBA supervision, to members of the Egyptian Mortgage Bankers Association and key MFA personnel. Mortgage lenders were also included in the training.

Throughout this quarter, EFS coordinated the twinning of the Appraisal Institute and the Egyptian Real Estate Appraisal Association to develop localized Market Analysis, Highest and Best Use, and Case Study curriculums. Courses are scheduled for delivery in Quarter 4. Also completed was a review of the International Valuation Standards, Code of Conduct, and Appraisal Institute Code of Ethics. Appropriate sections will be incorporated into Egyptian Standards and Code.

Assistance to mortgage lending institutions included a comprehensive assessment of the two existing companies: El Taamir Mortgage Company and Egyptian Housing Finance Company (EHFC). The draft report includes a full review of the companies' charters, loan granting processes, loan portfolios, and IT requirements and mortgage loan software recommendations. This lays the foundation for more targeted assistance to the two companies.

In EFS' ongoing support of MOI/MFA public information objectives, additional public information tools were developed and delivered. With the success of the Mortgage Consumer Information Guide, published on behalf of the MOI last quarter, the MOI requested that EFS develop a flyer and a poster. The flyer is a condensed version of the Guide, and the poster contains key information on mortgage financing, participating institutions, and where to get further information. Additionally, EFS organized a media seminar on modern mortgage concepts on August 22, 2005. More than 20 journalists attended and learned more about how mortgage financing works in a mature market. The seminar included a glossary of mortgage concepts and vocabulary of developed mortgage markets that will assist journalists reporting accurately on the developing mortgage finance sector. Also in August, EFS presented results of its Consumer Knowledge Survey, completed in Quarter 2, to government officials, bankers and mortgage lenders.

Property Registration (Task 2)

During this reporting period, the EFS property registration initiative entered an intense work phase in which business process reengineering for title registration will be finalized; legal and regulatory reforms assessed in detail; cadastral survey and mapping procedures modified; sporadic and systematic adjudication procedures assessed; a work plan prepared for systems development; and procurement of equipment for the Training Development Laboratory (TDL) set in motion.

Bilateral MOUs with our two principal counterparts, the Egyptian Survey Authority (ESA) and the Ministry of Justice/Real Estate Publicity Department (MOJ/REPD) were signed on August 14 and 24 respectively. The MOUs formally designate the districts of Nasr City and Maadi as the two model registration office areas. They also detail our work plan and lay out counterparts' roles and responsibilities.

In preparation for the introduction of title registration in the two selected urban districts in 2006, EFS completed a number of cadastral-related activities this quarter. An initial

prototype survey of six blocks located in Nasr City and Maadi was carried out to test and evaluate cost effective methods in obtaining physical inventory data of structures, and related textural layers. Data such as block area, block number, parcel number, building number, floor plan, and unit numbers were collected, collated and digitized in map form. Specifications for Continually Operating Reference Stations (CORS) covering areas of EFS project activities in Greater Cairo were agreed to and finalized with our partner ESA. These stations enable ESA to adopt the NED-95 datum for future cadastral survey and mapping activities and facilitate GPS correction of data to other GPS users such as government agencies and institutes, as well as public and private companies. EFS also completed two reports, "Cadastral Survey and Mapping Issues" (Technical Report # 9) and "Briefing Paper on Real Property Identifier Options" (Technical Report #13). Both reports include options and recommendations for consideration by our counterparts and assist counterparts further refine next action steps.

Another report, "Assessment and Procurement Report for Training Development Laboratory and Model Registry Offices" (Technical Report #15) was completed this quarter. The TDL will be used to train both public and private personnel on the new redesigned system, its business processes, collection of field survey data, systematic adjudication, improved customer service/public outreach, and system administration and maintenance. The report includes detailed floor plans and equipment specifications for the TDL and model offices. The MOJ/REPD has approved the location, floor plan layout and equipment quantities list for the TDL. The TDL will be located on the 8th floor of a MOJ building in Messaha Square, Dokki. Schematic approval for the model office floor plan and equipment quantities list is also approved by MOJ/REPD. Candidate locations to lease the two model offices are now under review by MOJ/REPD.

As both a capacity building and team building exercise, counterpart representatives and EFS registration team members traveled to Jordan September 1-3 to participate in the "Land Registration in the Arab World" symposium organized by the International Federation of Surveyors (IFS) Commission 7. The EFS-sponsored delegation presented four papers on various aspects of land registration including:

- Land registration in Egypt
- Property rights in Egyptian law
- Development of an automated cadastral information system in Egypt
- The role and vision of MCIT in the establishment of a Land Information System in Egypt

The symposium served as a valuable platform to introduce best practices, institutional models, confirm the international trend toward title registration, and the importance of the cadastre within title registration to the two "process owners." EFS also sponsored the participation of two other ministries that coordinate registration programs. The Ministry of Communication and Information Technology (MCIT) is addressing the development of the rural cadastre in agricultural land titling and the Ministry for State for Administrative Development (MSAD) recently completed an initial experimental project in urban registration targeting the district of Dokki, Giza.

In accordance with our work plan legal experts were fielded late this quarter to address the necessary legal and regulatory changes for the registration process to move forward.

Financial Instruments (Task 3)

During this quarter, EFS worked closely with the new CMA chairman Dr. Hani Serai El Din to provide a variety of assistance that supplements our original work plan. Upon taking his post in July 2005, Dr. Serai El Din requested EFS to address CMA priorities:

- Implement the recently approved organizational structure.
- Enhance the CMA's image as the securities regulator.
- Improve the CMA's capacity building.

EFS responded to the chairman's request for assistance by:

- Preparing a summary report assessing the new CMA organizational structure.
- Contributing to the preparation of an implementation plan for the CMA's new organization structure.
- Resubmitting several reports and procedures manuals (prepared under USAID's Capital Markets Development project – a Chemonics-implemented project 1998-2004)

To assist the chairman in promoting his vision, and the CMA's 2005-2006 strategy to the market and the media, EFS organized a Financial Press Forum on September 19, 2005. EFS assisted the CMA with a strategy paper on the introduction of new financial instruments and their related rules. The forum was attended by more than 140 market professionals, stakeholders and journalists.

EFS is assisting with the relocation of the CMA to the Smart Village in 6th of October. Zarrouk & Khaled, an EFS subcontractor prepared a moving plan that prioritizes which departments should move and which should remain at the present CMA office.

The introduction of new financial instruments presented in our work plan made continued progress this quarter. Same-day trading rules developed by EFS technical advisors, in collaboration with CMA, were approved by the CMA BOD and introduced in August. EFS is now providing assistance for the implementation of short selling.

Training of CMA staff continued this quarter and included training on securitization, margin trading and short selling. EFS is also preparing to deliver technical assistance with on-the-job training to set standards for reviewing securitization prospectuses.

EFS assistance this quarter related to fixed-income instruments' market functionality included a review and proposal for regular (equity) trading pre-settlement and during the settlement process to ensure possible improvements in the existing delivery-versus-payment (DVP) process. The implementation of recommendations put forward in a draft report on DVP is under consideration by the CMA.

Work to introduce factoring is now underway. At this time, there is no licensing legislation for factoring. Therefore, to assist in this area, EFS technical advisors, under the lead of Senior Finance Advisor to the Minister of Investment Abdel Hamid Ibrahim, prepared the concept paper "Factoring and International Regulations." EFS is also working with Mr. Ibrahim to address the existing leasing registry, which is in need of improvement. A concept paper and presentation, entitled "Leasing: A Toll for Economic Development," was prepared. This work will be addressed in more detail in the coming quarter.

Legal and regulatory assistance carried out this quarter included preparation of draft amendments to the executive regulations of the Capital Market Law. These draft amendments, once approved, would culminate in a more business-like approach to the formation of a securitization company (SPV). A new securitization rule was also drafted. Specifically, the comprehensive rule addresses disclosure and filing requirements for issuers of asset-backed securities. The rule will increase transparency and compliance with international best practices. A draft "assignment of debt agreement" was prepared and delivered to the CMA. The final agreement will be issued by the CMA as a reference for securitization parties applying assignment of securitization portfolio of financial rights to the securitization company. EFS completed the CMA Issuers Guide for Asset-backed Securities.

Executive regulations on securitization require the CMA to prescribe the form of assignment of rights by which the originator assigns its portfolio of financial rights and collateral to the securitization vehicle. To assist with compliance, EFS developed legal provisions for the assignment of rights. Work in this area included a comprehensive review of the civil and commercial codes, bankruptcy law and interpretation by legal doctrine and court judgments. The objective is to recommend an appropriate form to minimize legal risks by ensuring the assignment complies with best Egyptian legal practices to strengthen its effectiveness and enforceability.

Other activities completed this quarter include writing a chapter on employee incentive plans for the executive regulations under Company Act No. 59/1981. These new incentive plans allow for stock-option ownership and purchase plans for employees, including directors.

Credit Bureau (Task 4)

The development of a credit information system achieved important benchmarks this quarter:

- Licensing requirements, drafted by EFS in close collaboration with the CBE, were formally approved by the CBE board of directors in August.
- Estealam, Egypt's first private credit bureau received a preliminary license to operate from the CBE on August 30, 2005.
- Estealam selected its first board of directors September 5, 2005. Mohamed El Kafafy of Banque Misr was named chairman and Mohamed El Ashmawy, of the CIB was named vice chairman.

This quarter, further refinements were made to the draft rules and regulations prepared for the CBE last quarter. Steady progress was made and we anticipate that the rules and regulations will be approved by the CBE before the end of this year.

EFS focused the majority of its efforts this quarter on legal issues pertaining to credit bureau regulation, licensing, and operations. Of particular importance, is that the terms and conditions developed for credit bureau licensing, regulation, and operations are compatible with accepted best practices. To that end, EFS utilized both international and local legal expertise to examine the legal/regulatory environment that will govern the regulation and operation of the credit bureau and assess the impact of the existing environment on the operation of the private credit bureau.

Assistance in the area of credit bureau operations included providing the CBE with a variety of sample written agreements between credit bureaus and information users/providers. This served to assist the CBE to develop a comprehensive regulatory model for the CBE, determine minimum requirements, and ensure clarity in agreements governing the relations between the credit bureau and information providers/users, as well as principles for consumer protection.

Findings and recommendations are included in a number of technical reports completed this quarter:

- Legal Review: Licensing, Regulations and Central Bank of Egypt Oversight of Credit Bureau Operations (Technical Report # 11)
- Status Report: Credit Bureau Models in Egypt (Technical Report #14)
- Credit Bureau Business Models, Success Factors and Technological Issues (Technical Report #16)

To ensure there is no duplication of effort and that assistance to the regulator and operator is well coordinated, EFS managed efforts with other assistance providers including the World Bank, which is working with the CBE to enlarge the bank's Public Registry and the International Finance Corporation (IFC), which has offered assistance to the private sector credit bureau. EFS and IFC are exploring ways to coordinate assistance to the newly established credit bureau.

On August 22, 2005, ST Credit Bureau Advisor Miguel Llenas made a presentation to the CBE and select bank officials. The presentation, "Credit Bureau Optimal Ownership/Management Structure," allowed CBE Deputy Governor Mr. Abdel Aziz, CBE officials, representatives from the consortium of banks forming the first private credit bureau, and IFC and USAID representatives to hear Mr. Llenas present a variety of possible ownership/management structures, stress the importance of an "open" credit bureau, and discuss the implications of a credit bureau owned by banks.

With licensing requirements in place, and rules and regulations soon to follow, EFS anticipates assisting the new credit bureau in targeted start up activities. Specific assistance is presented in an EFS drafted MOU for EFS and the private credit bureau.

ASSESSMENTS AND ANALYTICAL STUDIES PREPARED THIS QUARTER

Title	Technical Report Number	Task	KRA
Real Estate Appraisal Training: Assessment of Current Conditions and Recommendations for Egypt	7	1	1.3
Mortgage Bankers Association Report on Training and Potential Training Partners and Association Review	8	1	1.3
Cadastral Survey and Mapping Issues	9	2	2.2
Knowledge, Attitudes and Behaviors of Cairo Flat/House Owners and Potential Owners: A Baseline Survey	10	1,2,4	N/A
Legal Review: Licensing, Regulations and Central Bank of Egypt Oversight of Credit Bureau Operations	11	4	4.1
Mortgage Finance Authority Information Technology Needs Assessment	12	1	1.1
Briefing Paper on Real Property Identifier Options	13	2	2.1
Status Report: Credit Bureau Models in Egypt	14	4	4.1
Assessment and Procurement Report for Training Development Laboratory and Model Registry Offices	15	2	2.1
Credit Bureau Business Models, Success Factors and Technological Issues	16	4	4.2
Symposium Findings and Recommendations on Land Registration in the Arab World	17	2	2..1

OTHER ASSISTANCE PROVIDED DURING THIS QUARTER

- MOI Consumer Mortgage Information Flyer. Delivered to the Ministry of Information for distribution.
- Draft amendments to executive regulations of the Capital Market Law delivered to the CMA.
- CMA Issuer Guide. Issuer's guide was printed and distributed during the CMA Financial Forum.
- Draft Rules and Regulations for Credit Bureau Operations approved by the Central Bank of Egypt's Board of Directors.
- Credit Bureau licensing requirements were formally approved by the CBE board of directors in August.

SECTION II: Progress Report by Task

TASK 1: ESTABLISH A SUPPORTING FRAMEWORK FOR THE REAL ESTATE FINANCE INDUSTRY

Key Accomplishments:

- Presentation of "Funding the Mortgage Finance Authority: Challenges and Potential" to the prime minister and minister of investment.
- Presentation of draft MFA Business Plan.
- Presentation of draft GSF restructuring study.
- Primary mortgage lending training.
- Appraisal training development.

A. Activities Performed During Quarter

From July, when a new MFA chairman and deputy chairman were appointed, EFS has worked closely with the two executives to incorporate the new leadership's vision and priorities for the MFA. The Task 1 Team presented to the chairman, deputy chairman and the MFA BOD, an overview of all work completed and underway as of this quarter. This included:

- A summary of achievements, challenges and remedial actions.
- International best practices for identifying key associations in the sector.
- Roles of the regulator and capacity building involving associations.
- Draft MFA business plan
- Draft assessment and studies of the Guarantee Subsidy Fund.
- EFS assistance to mortgage finance companies.
- Consumer survey.

The Task 1 Team also briefed Dr. Sherif Oteifa, the new mortgage finance advisor to the minister of investment on Task 1 activities. Dr. Oteifa views the MFA as a regulator, consumer protector, and promoter of the mortgage market. The MFA's role as promoter is a subject of some debate. After discussions with the MFA, the Task 1 Leader recommended to Dr. Oteifa that the MFA down play the role of "promoter" of mortgage loans as this, in EFS' opinion, would conflict with its primary role as regulator.

An MFA/EFS MOU for Task 1 was prepared and delivered to the MFA BOD in July for review and comment. To date the BOD has not provided comment.

KRA 1.1: Strengthen the MFA's Institutional Capacity to Supervise the Real Estate Finance Industry in Egypt.

1.1.1: Identify GOE objectives and priorities.

At the request of the MFA, EFS prepared a concept paper and presentation entitled, "Funding the Mortgage Finance Authority: Challenges and Potential" for the prime minister and the minister of investment. MFA Chairman Torgoman delivered the presentation to them on July 13, 2005.

The presentation included:

- An overview of the mortgage finance market's current status.
- Proposed actions to overcome market impediments with an emphasis on the government's role during the coming period to stimulate the market.
- A preliminary analysis of the Guarantee and Subsidy Fund and how to enhance its role.

The presentation integrated information from the concept paper, the Consumer Attitudinal Survey and the MFA Institutional Development report, as well as some statistics provided by the MFA.

In addition to the prime minister and the minister of investment, this presentation was attended by Dr. Mahmoud Mohi El Din, Senior Advisor to the Minister of Investment Abdel Hamid Ibrahim, MOI Senior Advisor Dr. Sherif Oteifa, CBE Governor Farouk El Okda, Secretary General of the President's Council Mr. Samir Saad Zaghloul, and Magdi Radi the president's official spokesperson.

The presentation was used as a basis for developing the MFA Business Plan and a more in-depth study of the GSF carried out by ST Advisor David Smith. (See Activity 1.4.4)

MOI communication strategy. During this quarter EFS continued to coordinate with the MOI and MFA a mortgage finance public awareness/information strategy. The Public Awareness Team delivered a PowerPoint presentation on a proposed MOI communication strategy to EFS team leaders and Dr. Oteifa. The objective of this strategy is to better align EFS and MOI efforts and strategies to communicate mortgage finance concepts.

1.1.2: Establish real estate finance working group.

The working group, comprised of MFA board members meets on an as-needed basis.

1.1.3: Review and revise MFA organizational structuring, staffing, and operations.

MFA staffing. With the appointment of a new chairman and deputy chairman in July, all positions were reviewed to incorporate the leadership's input. This necessary review slowed the hiring process. But as of this date, the MFA has started to move forward with staffing. The MFA/USAID Implementation Letter was amended and the MFA has commenced recruitment procedures in compliance with USAID regulations. Position advertisements were prepared in Arabic and English and posted on the MOI website. EFS anticipates that interviewing and hiring of candidates will commence early in Q4 2005.

Additionally, 40 new MFA staff were hired prior to the appointment of the new chairman. EFS is assisting the chairman evaluate these hires and integrate them into the MFA's training and organizational development plans.

1.1.4: Assist MFA capacity building and develop a business plan.

MFA business plan. During this quarter ST Advisor Jim Bothwell developed an MFA business plan. The draft plan and presentation were delivered to the MFA chairman, deputy chairman, and BOD on September 21. The deputy chairman confirmed the budget for 2005/06 and added new items for 2007. The report explores a number of issues the MFA

executive leadership must address to move forward with MFA's institutional development. The report identifies:

- The MFA's mission, strategic goals, and business objectives for the period, FY2006 -FY2008.
- The MFA's organizational structure, major functions of its main departments, and the reporting and customer/client relationships that shall exist among these departments.
- Strategies and action steps that MFA can take to pursue and accomplish its strategic goals and business objectives over this period.
- A suggested strategy for MFA to achieve "buy-in" and cooperation from major stakeholders, involved government ministries, major market participants, and donor institutions.
- Anticipated resource needs and funding sources for the period, FY2006 - FY2008.
- Benchmarks against which MFA's actual performance can be measured and reviewed over this period.

The report is now under review by the MFA's BOD.

1.1.5: Prepare an MFA training needs assessment plan.

A training needs assessment of MFA staff was completed in Quarter 2. Due to the recent hiring of 40 additional staff not foreseen by EFS or the new MFA chairman, EFS will revisit the assessment and incorporate the additional staff into a revised assessment and training plan.

1.1.6: MFA training program.

English-language training. Six mid-level MFA manager staff completed an English-language training program at the American University in Cairo in September.

1.1.7: IT support for the MFA.

During this reporting period, an assessment of IT needs for the Mortgage Finance Authority was completed. The report, "Assessment of Mortgage Finance Authority Information Technology Needs" (Technical Report # 12) was delivered to counterparts and USAID on August 28, 2005. The report includes assessments of:

- Automation needs
- Hardware and system software requirements
- Human resource (training and staff) requirements

At the start of this quarter, EFS received USAID/IRM approval for US \$960,000 worth of equipment, services, and supplies for the MFA. This procurement is to be done in two phases:

- Phase I: US \$512,000 to meet current MFA operational requirements and approximately US \$78,000 for Year 1 running costs.
- Phase II: US \$448,000 is subject to MFA expansion.

The RFPs were released in July. In September, the EFS IT Team was informed that the MFA would not pursue an agreement with Microsoft, but rather was in talks with Oracle and a local partner, Asset Technology to provide the MFA IT platform. Additionally, MFA IT counterparts informed EFS that the MFA was identified by MSAD for relocation to the Smart Village in 6th of October. Both issues impacted the already released RFPs and required the two RFPs be put on hold until EFS received clarification from MFA on these two issues. In mid-September MFA Deputy Chairman Ashraf El Kady officially informed EFS that the MFA will not move to the Smart Village before the summer of 2006 and hence, they will need the IT Infrastructure to be up and running at the present MFA premises. Regarding the Oracle agreement, MSAD is still negotiating the contract with Oracle. In response to these developments, the EFS IT Team:

- Canceled all the Microsoft-related items and services from the two outstanding procurements.
- Proceeded with all the equipment/network procurements so the MFA IT infrastructure at the present location will be operational.
- Will not buy the Oracle platform until MSAD signs an agreement with Oracle.
- Reduced site preparation costs to the minimum. Costs will cover what is sufficient to make the systems operational. For example, no partitions in the computer room, one air conditioner instead of two, reducing the use of ducts, and using bare wires instead, etc.)
- Amended the local procurement to expand the RAM of two of the five servers.
- A request for best and final offer (BAFO) was included in the amendment. Deadline for receiving responses to BAFO was September 29, 2005.

1.1.8: Review status of laws and examine regulatory issues.

Foreclosure. Building upon work completed by ST Legal/Foreclosure Advisor Marc Albert on foreclosure provisions under the current Real Estate Finance Law in Quarter 2, ST Regulatory Advisor Greg Taber prepared a report outline that includes an assessment of MFA mandate with recommendations related to procedures and regulations, draft qualifications for foreclosure agents, and a draft regulation to license/regulate foreclosure agents. All documents were submitted to the MFA for review and comment. In tandem, EFS engaged local legal expertise to address foreclosure issues. Local legal subcontractor, Hassouna & Abou Ali delivered work on foreclosure issues at the end of Quarter 2 and later made a complete review of issues relevant to the legal and regulatory framework for mortgage finance.

Capital requirements. EFS legal advisors and MFA legal counsel reviewed revisions to Article 12 of the Executive Regulations and documentation required by mortgage finance companies for mortgage registration. In particular, questions were raised regarding Article 35 of the amended Executive Regulations. The EFS advisors reviewed Article 35 and responded with a written opinion. It was found that a typographical error caused confusion and stemmed from unclear wording of the original regulation. MFA will likely propose a revision to the MOI. Ultimately, any changes/corrections to the regulation will require the prime minister's approval.

Model mortgage contract. EFS legal advisors provided written comment on a model mortgage contract. This is being done in close cooperation with the MFA Legal Working Group. The group discussed revisions to the model mortgage contract within the existing legal framework provided by Article 6 of the Real Estate Finance Law. Possible revisions to

Article 6 were also discussed and the EFS advisors presented MFA Chief Legal Counsel Akram Abou Hassab with several options and alternatives.

Disclosure issues and borrower protection. Throughout this quarter, EFS worked to address issues of disclosure and borrower protection. Work is being done in cooperation with the Legal Working Group (KRA 1.2 /Activity 1.2.1) and the two existing mortgage finance companies: EHFC and El Taamir. All parties agree that mandatory disclosure is the best approach. The EFS Resident Legal Advisor prepared a draft report on standardized borrower protection in other mortgage markets and recommendations for establishing borrower protection in the Egyptian mortgage market. The report's executive summary and recommendations were shared with MFA for comment.

The final product will be used in workshop materials that will be prepared for judiciary training during Quarter 4 2005. EFS is cooperating with the USAID-funded AOJS II project to train judges in the Real Estate Finance Law and foreclosure. A course outline was prepared by EFS and delivered to the AOJSII project. (KRA 1.5)

1.1.9: Create a consumer protection and outreach function.

Consumer attitudinal survey. As part of EFS' overall public awareness and outreach objective, a survey of greater Cairo residents was carried out to assess consumer knowledge of mortgage financing and property registration. The survey's final report, Knowledge, Attitudes and Behaviors of Cairo Flat/House Owners and Potential Owners: A Baseline Survey (Technical Report #10) was delivered to USAID on July 15, 2005. Eric Abbott, a survey specialist delivered the survey's findings and recommendations to stakeholders August 16, 2005.

Lawyer and banker survey. Also completed this quarter, was a smaller survey targeting law firms and banks on issues related to mortgage finance, real estate appraisal and brokering. A small number of lawyers and bank executives were interviewed for the survey. Findings are being used in the development of EFS/MOI/MFA coordinated outreach activities. The MFA chairman has requested that EFS organize an MFA/bankers event to facilitate increased bank participation in the development of the mortgage finance industry. The event is tentatively scheduled for November 2005.

Consumer information. Due to the interest in the Mortgage Consumer Information Guide, EFS continued to collaborate with the MOI and MFA to produce a flyer and poster. The flyer is a condensed version of the booklet; its smaller size allows for wider distribution through official daily newspapers. The poster provides contact information on participating mortgage finance institutions, and the MFA and the MOI.

Media seminar. On August 22, 2005 ST Mortgage Consultant Angela Atherton delivered a presentation and answered questions from the media on mortgage concepts and practices. More than 20 journalists representing Egypt's major daily and financial news publications attended the event.

KRA 1.2: Required Legal, Regulatory, and Administrative Reforms Promulgated and Investment Standards and Allocation Guidelines for Long-term Investments Established.

1.2.1: Form an inter-industry advisory group on legal/regulatory refinements/changes.

Legal Working Group. Legal Advisors are the EFS representatives to this working group formed last quarter. The group meets weekly to address issues impacting the mortgage finance legal and regulatory environment. Work this quarter focused on standardization of documentation and a Model Mortgage Contract. Upon the recommendation of the MFA chairman, the group was expanded to include mortgage finance companies (MFCs) and banks. In September the MFA deputy chairman chaired a meeting with 17 bank representatives. Bank representatives were responsive to the call for standardization and agreed to send their comments within two weeks. A follow up meeting will take place to reach a final draft. EFS assisted MFA legal counsel prepare the meeting's agenda and define discussion points pertaining to the Model Mortgage Contract. EFS has also provided a brief SOW for local counsel to assist with this important task.

1.2.2: Review real estate legal/regulatory framework.

See Activity 1.1.8.

1.2.3 Provide standardized protections for borrowers, administered by GOE entities for mortgage and consumer loans.

See Activity 1.1.8

1.2.4 Review existing laws and regulations to determine constraints, if any, to the formation of relevant associations.

Nothing to report this quarter.

1.2.5: Training to enhance understanding of mortgage finance legal and regulatory issues.

EFS will address this activity when a more comprehensive review of all relevant issues is complete. To date, significant work has been done in the area of foreclosure and contract documentation.

KRA 1.3: Real Estate Professions Stimulated, Industry Brought to International Standards; Other Services Developed.

1.3.1: Identify and prioritize associations.

EFS association development strategy. During this quarter, EFS continued to develop, refine and implement this strategy. Successful development and implementation of a long-term strategy requires close coordination and buy-in by the MFA – as the authority supervising and regulating the sector and the targeted association, the majority of which are very new, with limited financial and human resources.

EFS continues to work closely with the MFA to ensure that EFS assistance to targeted associations serves to facilitate the MFA's mandate to oversee real estate-related associations. EFS is coordinating the development of public/private partnerships between the MFA and relevant associations that will include the development of professional training courses and exams that are MFA approved. To assist the MFA build the capacity to supervise and regulate real estate professions, and develop associations' capacity, EFS is

working with them to develop licensing requirements, standards, as well as the legal and regulatory framework for the MFA and relevant associations.

EFS made significant progress this quarter with assistance to associations and developing profession-specific training programs.

Egyptian Appraisal Association. The association's chairman and MFA BOD member, Dr. Anis requested EFS assistance to strengthen the association. In response, EFS stipulated certain benchmarks before assistance is seriously considered.

1.3.2: Identify and review training packages for similar trade associations.

Last quarter EFS engaged the Mortgage Bankers Association (MBA) and the Appraisal Institute (AI) to carry out assessments of training needs and local association capacity in their respective professions. The Appraisal Institute completed and delivered a report, "Real Estate Appraisal Training: Assessment of Current Conditions and Recommendations for Egypt" (Technical Report #7). The Mortgage Bankers Association completed a report, "Mortgage Bankers Association Report on Training and Potential Training Partners and Association Review" (Technical Report #8). Both reports were delivered to USAID July 15, 2005. Based on the reports' findings and recommendations, EFS initiated the development of training programs for appraisers and mortgage lenders.

1.3.4: Identify training needs, develop curricula, and implement training.

Mortgage Bankers Association Training Program. Building upon an MBA assessment completed in Q2 (See 1.3.2), EFS coordinated the development of a "Primary Mortgage Market" training program. MBA trainers worked with local experts, identified through the Egyptian Mortgage Association, to customize the training program to the Egyptian market. A six-day training of trainers (TOT) program, "Egyptian Primary Mortgage Market: Introduction to the Real Estate Finance Industry" commenced on September 18. Ten participants from the Egyptian Mortgage Association (including Egyptian Housing Finance Company and El Taamir Mortgage Company), the Egyptian Mortgage Broker Association, the National Societe General Bank, the Egyptian American Bank, A.B. Consulting Group, and the Arab African International Bank were trained. Upon completion of the course, all participants sat for an examination and received a certificate of achievement.

A second round of training (a five-day program) commenced on September 25 and was delivered by graduates of the TOT program with MBA trainer supervision. Participants were from the El Taamir Mortgage Company, the National Societe General Bank, the Egyptian Housing Finance Company, the National Bank for Development, and the Housing and Development Bank. The sessions were led by the trainers selected from the first TOT session with minimal assistance from the MBA trainers. Upon completion of the course, all participants sat for an examination and received a certificate of achievement.

Two guest speakers were invited to speak on different topics. Dr. Ali Mehilba from the Alexandria Real Estate Association gave an overview of the real estate profession and real estate marketing. Shamsnoor Abdel Aziz, EFS Senior Legal Advisor spoke on the current Egyptian real estate law outlining the relevant sections to mortgage lending.

Appraisal Institute. During this quarter, EFS engaged the U.S.-based Appraisal Institute to assess existing appraisal programs, the sector as a whole, and complete training programs

needed in the Egyptian market. Appraisal Institute consultants coordinated with local appraisers, suggested by the Egyptian Association of Real Estate Appraisers, to adapt Appraisal Institute course materials to the Egyptian market. Four local appraisers: Dr. Mohamed Nabil, Dr. Hany El Khorabie, Dr. Mohamed Abdel Kader, and Mr. Ihab El Bahrawi assisted with adapting AI course materials to the local market.

Appraisal course orientation. AI consultants Mark Bates and Jim Vernor met with various Egyptian appraisers and EFS local course developers the week of September 25-29, 2005 to conduct four course orientation sessions:

- Appraisal Procedures. Course orientation session attended by Dr. Nabil Abdel Salam, the local course developer, and four other appraisers nominated by Dr. Ahmed Anis, the chairman of the Egyptian Appraisers Association.
- Case Studies. Five appraisers, nominated by Dr. Anis, attended.
- The Highest and Best Use. Session was held with Dr. Mohamed Abdel Kader, the local course developer, to finalize edits.
- Appraisal Principles. Attended by Dr. Hany El Khorabie, the local developer of the material, to finalize edits.

Workshop on standards valuation. In conjunction with the Egyptian Appraisers Association, a workshop on appraisal valuation standards was conducted on September 28, 2005 at the Conrad Hotel. The main goal of this workshop was to bring together the association's leaders and Dr. Mohamed Abdel Kader, the local supplements developer to finalize the development and interpretation of the Egyptian Appraisal Valuation Standards course. The course emphasizes the importance of public trust and examines the Code of Professional Ethics, Association Structure, and Certification Standards according to the International Valuation Standards. Mark Bates and Jim Vernor led the workshop, along with Dr. Mohamed Abdel Kader. International standards were discussed and the Egyptian supplements were presented to the participants for their comments.

Appraisal Institute and the MFA Appraisal Committee. A meeting was carried out between the Appraisal Institute and the MFA Appraisal Committee. AI advisors delivered a presentation and discussed with the committee members AI's approach to appraisal training program. The same week, the status of the Residential Certification Curriculum development was presented to the MFA Board and the Appraisal Committee. The EFS COP, Task 1 and the training team leaders attended this workshop at the MFA.

1.3.5: Explore MFA-sponsored workshop on the development of real estate industry.

This Activity is postponed until 2006.

1.3.6: Consider the formation of a public-private partnership between MFA and appraisers

This activity is planned for Q4 and contingent on MFA interest.

KRA 1.4: Stable Term Funding Established and Loans Originated.

1.4.1: Identify and contact primary lenders and investigate current lending practices

El Taamir Mortgage Company. El Taamir is anxious to benefit from EFS technical assistance and has requested assistance in developing a loan origination system and acquiring

software for loan tracking. In response to the request for acquiring mortgage loan software, EFS provided information about available software (US). The EFS IT Team developed a questionnaire to collect information about software companies, systems' functionality, as well as estimated costs. Two U.S. software providers, Gallagher and Empower, were identified and the questionnaire was forwarded to the two firms by the EFS project management unit (PMU). Gallagher responded to the questionnaire and offered to prepare a capabilities presentation. The IT Team helped El Taamir prepare a request for proposals (RFP) to procure software and hardware.

In July, EFS fielded Natalya Klimova, a mortgage-lending specialist to carry out an assessment of the two mortgage companies: El Taamir and EHFC. The bulk of the report focused on El Taamir as EHFC has on-site support from an international shareholder. Ms. Klimova assessed the companies' training needs and delivered a presentation on available mortgage loan software applicable to El Taamir operations. A final report is under review by EFS.

1.4.2: Develop training programs targeting mortgage companies.

Based on Ms. Klimova's assessment (See 1.4.1) Task 1 is developing IT and mortgage finance training.

1.4.3: Initiate quarterly check of loan data.

Mortgage Loans Database. In order to accurately track mortgage loans processed to date and track growth in the sector over the life of the project, Task 1 developed a database to capture the number of mortgage loans processed, and from which institution. The database, as it further develops, will also track obstacles, reforms and other pertinent data. Data provided below is cumulative, and reports only what EFS has received from the institutions since starting the database in early Quarter 2.

Egyptian Housing Finance Company (EHFC) As of September 15	219 loans	LE 65.8 million
El Taamir Mortgage Company As of July 15, 2005	30 loans	LE 7.2 million

1.4.4: Review current status of guarantee and subsidy fund programs.

EFS made important progress in this area particularly in Financial Restructuring Specialist David Smith completed a report on the GSF in September. Findings and recommendations were presented to the MFA, GSF board members and MOI representative Dr. Sherif Oteifa. Mr. Smith was requested to write a policy concept brief on subsidies.

KRA 1.5: Enhanced Capacity of Courts to Mediate/Adjudicate Real Estate Lending (enforce foreclosure).

Preliminary work in the area of foreclosure was completed this quarter. (See KRA 1.2). EFS is working with AJOSII project and the MOJ to prepare training on foreclosure.

1.5.1: Review real estate finance law and executive statutes.

See work completed under KRA 1.2.

B. Activities Scheduled for Next Quarter

- Review and revise MFA organizational structure, staffing and operations. (1.1.3)
- Complete assessment of new staff (hired by previous management) and assist with placement. (1.1.3)
- Prepare regulatory report and manual for supervising mortgage finance companies. (1.2)
- Recommend regulatory framework to supervise activities of a re-financing facility. (1.2)
- Prepare findings on investment vehicles for financing the secondary market including use of a liquidity facility. (1.2)
- Prepare cash-flow projections to support the president's six-year affordable housing plan. (1.4)
- Assist the Ministry of Justice with training judges and foreclosure agents on the foreclosure provision in the Real Estate Finance Law and Executive Regulations. (1.5)
- Finalize course materials and prepare local trainers to conduct next round of Mortgage Bankers Association (MBA) Primary Mortgage Lending training program in collaboration with Egyptian Mortgage Association (EMA) and Egyptian Banking Institute. (1.3)
- Work with MBA consultant to prepare loan origination course content outline and localize course materials. (1.3)
- Work with Appraisal Institute (AI) and the EFS Training Department to finalize course materials and conduct three training programs: 1) Market Analysis and Highest and Best Use; 2) Case studies; and 3) International Valuation Standards with Egyptian Supplements. (1.3)

C. Challenges Encountered and Proposed Remedial Actions

- *MOU with MFA*. Task 1 has not received formal approval of a MOU or feedback on a revised work plan; both were presented twice to the Board during the past four months. Complicating the matter has been a change of management two months ago. New management has a high comfort level with Task 1 work in terms of content and quality. We will stop "forcing" action on the MOU, especially since it covers 2005 activity. Instead, we will seek approval of a 2006 work plan.
- *Guarantee and Subsidy Fund (GSF)*. Although separate entities, the MFA and GSF share the same chairman and certain legislative provisions. At project inception, USAID expected EFS to perform limited work in connection with housing subsidies. Task 1 has exceeded these expectations with GSF in 2005 based on requests from the MFA and MOI. USAID reluctantly agreed to this work. The likely result is that the MFA and the MOI will continue to request EFS assistance with the GSF and USAID will not approve future work. EFS recommended dividing GSF into two divisions, credit/guarantee and subsidy. A clear separation of the two functions makes organizational sense and would also allow a justification for EFS to support credit/guarantee programs that directly benefit the primary and secondary mortgage market.

- *Legal booklet and training.* The MFA, Task 1, and the mortgage finance companies have made little progress on a legal reference guide. A changeover of legal experts at the MFA and Task 1 will mean more delay. The MFA chairman agreed to re-assign this task internally and integrate the work into material developed for the newly established “MFA Call Center.” Similar issues relate to meeting legal and consumer outreach needs. This is a more efficient approach.
- *Legal training.* Judicial supervision of two national elections (presidential and parliamentary) continues to delay efforts to coordinate judicial training with the Ministry of Justice. The ministry recently requested training materials and a short-term legal advisor has been contracted to do the work. After review, we expect the ministry to initiate training and request more EFS support, probably after the elections (2006).

TASK 2: IMPROVE OPERATION OF URBAN REGISTRATION SYSTEM IN THE MINISTRY OF JUSTICE

Key Accomplishments

- Bilateral MOUs signed with principle counterparts: Ministry of Justice/Real estate Publicity Department, and the Egyptian Survey Authority.
- Sponsored Egyptian delegation to the “Land Registration in Arab Countries” symposium in Jordan, September 1-3, 2005.
- Data acquisition to include census data, spatial data and satellite imagery for Greater Cairo completed by EFS subcontractor Quality Standards Information Technology (QSIT).
- Prototype survey of six blocks located in Nasr City and Maadi testing various survey methods with unit cost data completed by QSIT
- Concept paper on property identifier options.
- Approval by MOJ/REPD to locate the Training Development Laboratory (TDL) on 8th floor MOJ Okasha building, Messaha Square, Dokki, Giza.
- Approval by MOJ/REPD on floor plan, equipment quantities and specifications, site preparation/refurbishment for the TDL.
- Presentation entitled "Real Property Registration in Egypt – Issues, Challenges and Solutions" made to the Real Estate Committee, American Chamber of Commerce in Egypt September 29, 2005

A. Activities Performed During Quarter

KRA 2.1: MOJ and ESA Establish Strong Working Relationship and Commitment to Improve the Registration System in Urban Areas

2.1.1: Develop a common vision and policy mandate with our partners for urban registration.

National Policy for Registration. The World Bank has requested that EFS assist both MOJ/REPD and ESA in the review and formulation of project components and priorities under the proposed loan. Preparatory notes relating to ESA's requirements were prepared by EFS, and ESA did submit a preliminary proposal for World Bank review in late September 2005. Similar notes for MOJ/REPD are in preparation and continued review/discussion is planned over the next quarter. Further refinement to these proposals is anticipated prior to the next World Bank mission currently scheduled for early December 2005.

To further facilitate the registration efforts being undertaken, EFS prepared a Terms of Reference for Peer Reviewers and retained Dr. Shawky El Sayed and Dr. Bahaa Ali El Din to review, facilitate, and achieve consensus on policy put forth in the Inception Report.

2.1.2: Identify GOE objectives and priorities for urban registration.

EFS continues to work with both ESA and MOJ/REPD in formulating and identifying project components to be funded by the proposed World Bank loan. The Bank has informed us that \$30 million is provisionally set aside to finance production costs of urban registration. Task 2 Team Leader Dougal Menelaws met with Ministry of Communications and Information Technology (MCIT) representatives Dr. Hoda Baraka and Dr. Hesham El Deeb

on August 28 to review program and progress for rural title registration. Phase I consists of developing an integrated database, GIS and maps for rural areas with a program fund of LE 60 million. MCIT is coordinating the program and signed an MOU with ESA and MOJ in late April 2005. Three private sector vendors have been awarded contracts to perform these services. Schemas for the database have been developed with the idea that these integrate with the ECIM application. Phase II involves the reengineering and automation of title system business processes to be applied in rural areas. Another LE 60 million budget is set aside for this phase. Synergy between urban and rural title initiatives was discussed. Copies of the Task 2 Inception Report: "Property and Registration Law in Egypt: Current Operation and Practice" (Technical Report No.3) were sent to Dr. Baraka and Dr. El Deeb.

2.1.3: Reengineer, simplify, and propose automated technical processes for use within the registry and ESA.

During this quarter Task 2 completed a significant amount of work related to business area analysis. In close coordination with counterparts, Task 2 worked to resolve operational policy issues, design a simplified and standardized business process, and integrated workflow solutions between registry and ESA offices.

2.1.4: Create advisory committee under the direction and coordination of the Ministry of Investment.

A draft report on the creation, role, and composition of an advisory committee under the direction and supervision of the Minister of Investment, was submitted to Allen Decker, COP, on August 31, 2005.

2.1.5: Identify, confirm, and evaluate existing technical processes for both ESA and MOJ/REPD.

This activity was completed in Quarter 2. Task 2 concluded, and counterparts agreed, that a major redesign of administrative processes, supported by revised or newly implemented regulations, is the best approach going forward. These issues were presented and reviewed with counterparts in a two-day technical workshop held at the Pyramisa Hotel on June 22 and 23, 2005.

2.1.6: Carry out a preliminary assessment of capacity building requirements for each agency.

Preliminary assessments of needed organizational changes to support reengineered business processes commenced this quarter in parallel with Activity 2.1.3. Findings from assessments will be integrated into a Quarter 4 deliverable.

2.1.7: Assess customer attitudes to registration.

This activity will commence in Q4. ST Urban Land Administration Advisor David Sims will prepare a housing market assessment report targeting the districts of Nasr City, Maadi and 6th October.

2.1.8: Assess regulatory and legal changes necessary to support registration.

Based on work completed to date, Task 2 is organizing proposed legal reforms into short-, mid- and long-term priorities for review with our counterparts. Legal experts will be fielded in early October to review in detail regulatory reforms required to implement title registration in advance of Task 2 operationalizing two pilot registration offices. A proposed draft regulation on divided co-ownership of immovable property is nearing completion and will be submitted in late October for MOJ and World Bank review.

2.1.9: Comparative analysis of internationally-accepted best practices in land registration.

EFS sponsored counterpart and other GOE institutions participation in the “Land registration in Arab Countries” symposium September 1-3, 2005 in Jordan. The Egyptian delegation included thirteen participants representing the MOJ, the ESA, the MCIT and the MSAD, as well as members of the Task 2 technical team. Participation in this symposium served as an important capacity building exercise and a valuable platform to introduce best practices, institutional models. It also confirmed the international trend toward title registration and the importance of the cadastre within title registration to the two “process owners” and principle EFS counterparts, namely the MOJ and the ESA. Participants presented papers on various topics relevant to land registration. Papers presented included:

- Private ownership and mortgage finance in the Egyptian legal system; transfer from deed to title system, presented by Counselor Farouk Awad, MOJ.
- Developing an automated cadastral information system in Egypt, presented by Chairman Hisham Nasr and Mosaad Ibrahim, ESA
- Types of ownership, means of certifying ownership, and physical rights burdening ownership as laid out in Egyptian Law, presented by Counselor Mahmoud Ragheb, MOJ
- The role and vision of MCIT in the establishment of a Land Information System in Egypt, presented by Dr. Hesham El Deeb, project manager, Rural Cadastre Development Project, MCIT.

EFS sponsored participation of the following GOE officials:

Councilor Farouk Awad, Ministry of Justice
Councilor Mamdouh Ragheb, Ministry of Justice
Chairman Hisham Nasr, Egyptian Survey Authority
Mariam Metry Rezqalla, Egyptian Survey Authority
Mohamed Zeinhom, Ministry of Justice, Real Estate Publicity Department
Omar Ismail, Ministry of Justice, Real Estate Publicity Department
Emad Hassan, Ministry of State for Administrative Development
Dr. Hesham E. El Deeb, Ministry of Communications and Information Technology
Mosaad Ibrahim, Senior Advisor, Egyptian Survey Authority

2.1.10: Prepare/execute bilateral agreements with our key process owners: MOJ/REPD and ESA.

This Activity is completed. The MOH/REPD and the ESA signed bilateral MOUs with EFS August 14 and 24 respectively. The MOUs included designation of two pilot areas that EFS will introduce a reengineered business process for property registration. The two areas stipulated are Nasr City and Maadi. EFS estimates that field services for preparatory title registration in these two locations will commence on/around May 1, 2006.

2.1.11: Develop a media education program and communication strategy.

This activity will commence in Quarter 4.

KRA 2.2: Redesign and Automation of Business Processes for Application in Two REPD and ESA Model Office Locations.

2.2.1: Address functionality requirements of registry offices.

Experts identified and scheduled to be fielded in Quarter 4.

2.2.2: Address capabilities of proposed applications to manage all aspects of land records.

Experts identified and scheduled to be fielded in Quarter 4.

2.2.3: Design automated systems to capture, maintain, and manage survey data and cadastral information.

Experts identified and scheduled to be fielded in Quarter 4 to commence work on identifying technical approach and work plan for system development of automated applications.

2.2.4: Introduce steps within the application design to facilitate and strengthen adjudication processes.

Experts identified and scheduled to be fielded in Quarter 4.

2.2.5: Analyze, evaluate, and identify the IT platforms required to support the business applications.

During this quarter it was agreed with our partners that EFS will develop two model offices to implement title registration in urban areas. The existing deed system will not be reengineered by EFS and our focus is restricted to identifying and developing IT platforms for title registration.

2.2.6: Embed a property locator system within the design application.

Property Locator System. A briefing paper, “Briefing Paper on Real Property Identifier Options” (Technical Report #13) was completed and submitted to counterparts and USAID this quarter. The briefing paper reviews existing property numbering schemes most relevant to property registration in Egypt and outlines international best practice. Three options for a new approach in Egypt are examined. Within Egypt there are currently a number of differing approaches that have been adopted by various government agencies that utilize property identifiers. As a result there is no one unique property identification system in place for national application. The introduction of a primary property identifier that could act as the primary key to link databases and property information of multiple agencies will be an undertaking that requires increased levels of cooperation and data sharing amongst these affected agencies.

2.2.7: Work with our counterparts to identify IT system needs/capabilities and review technology options.

Experts identified and scheduled to be fielded in Quarter 4.

KRA 2.3: Implementation Plan for Two Real Estate Publicity Department (REPD) and Egyptian Survey Authority (ESA) Model Office Locations

2.3.1: Develop criteria for model office selection.

This activity was completed with the signing of MOUs formally designating Nasr City and Maadi as model office areas to be made operational utilizing the EFS pilot registration system.

2.3.3: Collect and generate datasets.

Initial Prototype Survey. The prototype survey conducted in May 2005 was completed this quarter. The survey included testing and evaluating cost-effective methods in obtaining physical inventory data of structures and related textural layers. Data such as block area, block number, parcel number, building number, floor plan, and unit numbers were collected, collated and digitized in map form. Due to delays in obtaining satellite imagery (beyond QSIT control e.g. weather) and lack of digital data at CAPMAS, final reports will be submitted October 5, 2005.

Continually Operating Reference Stations (CORS). Met with ESA Chairman Hisham to review and finalize specifications to procure four Continually Operating Reference Stations (CORS) that cover areas of EFS project activities in greater Cairo. ESA agreed on the four locations and confirmed their commitment to install CORS in a letter to EFS dated July 24. These stations enable ESA to adopt the NED-95 datum for future cadastral survey and mapping and facilitate GPS correction of data to other GPS users such as government agencies and institutes, and public and private companies.

2.3.4: Design a multi-component training program.

Experts have been identified and are scheduled to be fielded in Quarter 4. A Training Development Laboratory (TDL) will be made operational by EFS. The TDL will be located in a MOJ's building in Messaha Square, Dokki, Giza. Bid documents and specifications for the TDL have been prepared. The ESA Training Center will also receive minor upgrading.

The following KRAs are planned for Year 2:

KRA 2.4: Replication Plan for Upgraded Registration System

KRA 2.5: Mechanisms to Resolve Land and Real Property Disputes

KRA 2.6: Potential Scope for Private Sector Participation in Registration

B. Activities Scheduled for Next Quarter

- Preparation of draft regulation on divided co-ownership of immovable property. (2.1.8)
- Organize proposed legal and regulatory reforms into short-, mid- and long-term priorities for review by our counterparts. (2.1.8)

- Complete design phase of business process reengineering (BPR) for subsequent transactions under title system in urban areas. (2.1.3, 2.15)
- Complete design phase of systematic registration and adjudication processes to support initial title registration in urban areas.
- Capacity building measures and human resource development plan to support new title registration system and automated processes. (2.1.6)
- Procurement of IT equipment for the Training Development Laboratory. (2.3.4)
- Continued inputs to the advisory committee on registration issues. (2.1.1., 2.1.4)
- Formulation of ITC budget for model offices. (2.3)
- Commence design of training materials/manuals to support EFS pilots (2.2.7)
- Develop technical approach and work plan for system development of automated applications. (2.2)
- Conduct housing typology and market assessment using secondary data for Nasr City, Maadi and 6th October. (2.3)
- Formulate EFS operational strategy and field services to introduce title registration in carefully selected targeted areas within two urban districts. In these targeted areas develop cost estimates and budgets to operationalize and implement title registration using systematic registration and adjudication utilizing private sector companies to perform public awareness and outreach campaigns, develop cadastral plans of buildings/apartments, and collection of ownership documentation. (2.3)
- Coordination and planning with MOJ/REPD and ESA on formulating program components and cost estimates for the follow-on World Bank loan.
- Formulate detailed work plan and LOE budget for Year 2 for review by management/USAID.

C. Challenges Encountered and Proposed Remedial Actions

- One immediate challenge and priority is for EFS to define geographic areas, cadastral zones, and quantify the number of parcels/buildings/apartments within carefully selected target areas in the nominated urban districts (Nasr City and Maadi) to be registered and funded by the project. Unlike other EFS tasks, Task 2 has an obligation to our clients to introduce and make operational title registration in urban areas. Therefore, we are currently formulating an operational strategy and implementation plan to deliver these services. EFS will develop cost estimates and budgets to operationalize and implement title registration using systematic registration and adjudication utilizing private sector companies to perform public awareness and outreach campaigns; to develop cadastral plans of buildings/apartments; and, to collect ownership documentation. Our preliminary budget estimate for field services to achieve a scale result of approximately 30,000 total units registered under title in two model office districts, using systematic registration and adjudication for initial registration is \$1.5 million. However, no specific allocation of funds is set aside in the original approved EFS budget. Management and USAID will need to review and resolve this budget issue within the next Quarter as we develop and finalize our work plan and commitments with our clients for Year 2.
- Replication and sustainability of the prototype EFS title registration system requires continued budget support on a large scale. The EFS prototype is predicated on the assumption that either World Bank funds or government funds will be available and

ready for disbursement to replicate and continue roll out of initial title registration in urban areas. At this time, there is no confirmation by government on either the loan amount set aside for registration in the proposed loan, or clear identification of program components and priority areas for urban registration. We recommend that USAID follow up with the GOE on this issue and continue to inform other donors such as the EU of the goals and objectives of the EFS project.

- Urban registration needs a "champion" to promote the value, sound public policy and benefits derived from property registration. Indeed, the EFS project as a whole can benefit from such a "champion." We recommend that the Minister of Investment assume this vital role. The MOI is a key signatory to the USAID Project Agreement, is the principal beneficiary of the Egyptian Financial Services Project. Mortgage lending institutions will benefit from efficient property title registration. A draft proposal to create a project-wide Advisory Committee under the auspices of MOI was submitted to management end August 2005. We recommend that further discussions between management and MOI be prioritized to make the establishment of the Advisory Committee a reality.

TASK 3: DEVELOP FRAMEWORK AND PROCEDURES FOR SECURED LENDING AND NEW FINANCIAL INSTRUMENTS

A. Activities Performed During Quarter

Key Accomplishments:

- Margin trading introduced.
- Guide for issuers of asset-backed securities produced and in distribution.
- Same-day trading introduced.
- CMA Financial Forum held September 19, 2005.

During this quarter, in response to the new chairman's request for EFS assistance to implement CMA's newly approved organizational structure and relocation to a temporary premises in the Smart Village in 6th of October, EFS undertook work that is supplemental to its work plan.

Since July, EFS has provided the CMA with:

- A summary report assessing the new CMA organizational structure. The report includes similar agencies' structures found in other countries and previous work done by foreign and national consultants.
- Assistance with an implementation plan for CMA's new organizational structure.
- Several reports and manuals prepared under the Capital Market Development (CMD) project – a Chemonics-implemented project completed in 2004. The reports include CMD work related to inspection, surveillance, strategic planning, restructuring of the CMA, e-government, corporate governance, communication strategies, training plans, data gathering and archiving, and enhancing and enforcing disclosure.

EFS engaged organizational advisors and business reengineering specialists from EFS subcontractor Zarrouk, Khaled & Co. in August to assist the CMA in developing a moving plan and to implement its newly approved organizational structure. Zarrouk & Khaled met with CMA management, made site visits to the Smart Village offices and prepared an assessment report. The report recommends moving all CMA regulatory functions (i.e. corporate finance, market regulation, and enforcement). Non-regulatory functions (e.g. corporate governance and securities issuance) and supporting functions (financial and administration, legal affairs, international markets, etc), not addressed by EFS technical assistance, will continue in the existing premises until the CMA receives its permanent premises in the Smart Village. A moving committee was recommended and formed to implement and supervise the move. The committee includes the CMA deputy chairman, representatives from Z&K, Smart Village management representatives, and engineering consultants to the CMA and EFS.

This task, originally outside our work plan, should progressively transform the CMA by enhancing its capacity, and therefore increase receptivity to EFS technical assistance on new financial instruments, and improve and sustain regulatory expertise.

KRA 3.1: Diversity of Financial (for Investors) and Financing (for Borrowers) Instruments Expanded

In September, EFS and the CMA commenced work on a CMA strategy for introducing new financial instruments (NFI). Technical assistance will be provided in Quarter 4 by advisors from the National Association of Securities Dealers (NASD) and Dr. Doha Abdel Hamid, a ST economic advisor. NASD advisors will assess the readiness of the market for NFI. This will include investigating the needs of business corporations, institutional investors, capacity of market regulators, and trading and settlement institutions. Dr. Abdel Hamid will assess the Egyptian economy at the macro level with consideration of national savings, investments and targeted growth rates. She will also assess different types of financial instruments for introduction to the market. Focus will be given to those instruments contemplated by the EFS project, being government and asset-backed bonds, money-market instruments, leasing, factoring, and financial derivatives.

In preparation for this work, EFS also met with Cairo and Alexandria Stock Exchanges (CASE) Chairman Maged Shawky to discuss the strategy. CASE is interested in introducing derivatives and in developing trading and surveillance systems for NFIs.

3.1.1: Form an inter-industry advisory group.

Rather than one advisory group EFS has found it more productive to convene a number of different ad hoc groups to address specific NFIs being introduced to the market. Groups meet on an as-needed basis to discuss:

- Needs of the business and financial sectors for the NFI.
- Investigate impediments to the NFI.
- Needed legal and regulatory framework and market infrastructure for the NFI.
- Public awareness/education campaigns to promote the proposed NFI.

Members in these ad hoc groups include representatives of business associations (e.g. Egyptian Businessmen Association, American Chamber of Commerce in Egypt), institutional investors, financial advisors, lawyers and public accountants, and financial markets regulators (CMA, CBE and EISA). They will be involved in the NASD assessment of the market's readiness for NFI.

3.1.2: Conduct workshops on new financial instruments.

This activity was completed in Quarter 2.

3.1.3: Plan and execute public awareness campaigns.

On September 19, EFS coordinated a Financial Press Forum for the CMA. The objective of this forum was to introduce the new CMA chairman, Dr. Hani Serai El Din, to market professionals and the media and allow him to present CMA's strategy for 2005-2006. Task 3 assisted the chairman to prepare a CMA strategy paper on NFI and their related trading and settlement rules. The forum was an overall success with more than 140 market professionals and media representatives attending.

The "Guide for Issuers of Asset-backed Securities" was finalized, published, and distributed at the CMA Financial Forum. The guide, prepared by Senior Financial Advisor Ahmed

Hussein, Senior Investment Advisor Hesham Ibrahim, and ST Advisor Stephen Strauss, is for use by potential issuers of securitized bonds. The guide includes a securitization definition, types of securitization, and benefits to companies in general, and to banks in particular, parties involved, and action and procedures needed. The guide also includes illustrative diagrams, a typical action plan and calendar.

KRA 3.2: Market and Regulatory Capacity Enhanced for New Instruments

3.2.1: Enhance the CMA market rules and regulations.

This quarter, Task 3 completed and delivered to the CMA the following:

- Amendments to the CMA executive regulations
- Assignment of debt agreement
- Securitization forms and agreements

The Assignment of Debt Agreement will serve as a reference for securitization parties applying assignment of securitization portfolio of financial rights to the securitization company. This contract constitutes the legal foundation of securitization and achieves the standard of “true sale” meant to protect investors holding asset-backed securities from the bankruptcy of the original lender.

Securitization Forms and Agreements. ST Advisor Gahmk Markarian finalized these draft forms and agreements required by the CMA Executive Regulations pertaining to standardized legal documents for securitization transactions. Forms and agreements include:

- Form letter to the CMA from the custodian intended to be appointed by the issuer of the bonds (the “securitization” company).
- Form letter from the assignor committed to assign a portfolio to a securitization company,
- Requirements for the securitization company to be licensed, as well as the
- Form of assignment agreement. The assignment agreement is required to be in a form approved by the CMA.

The above forms and agreement were reviewed by Task 3 and Egyptian Legal Advisor Dr. Ahmed Abou Ali (subcontractor Hassouna & Abou Ali Law Firm).

The assignment of debt form was also substantially modified to incorporate best Egyptian legal practices. These were determined pursuant to extensive research, conducted by Senior Legal Advisor Shamsnoor Abdel Aziz and ST Legal Research Assistant Mahmoud Abdel Alim, on the assignment of debt under civil, commercial, bankruptcy, and mortgage finance law and court interpretation.

CMA rule for securitization. ST Advisor Gahmk Markarian drafted the CMA rule for securitization. This draft CMA rule on securitization is required to implement the Capital Market Law securitization amendment to improve the current executive regulations and is largely inspired by the 2005 release by the US SEC of new consolidated rules specific to securitization, which constitute the latest international standard. The draft rule on securitization covers the following:

- Licensing of securitization companies
- Registration of securitization bonds
- Initial, continuous, and timely disclosure specific to all types of asset-backed securities
- Communications during the offering process
- Ongoing reporting
- The form of the assignment agreement

Employment stock-option plans (ESOPs): In close cooperation with MOI Senior Advisor Abdel Hamid Ibrahim, ST Legal Advisor Dr. Khaled Serry prepared a comparative study of stock-option plans for employees, directors, and officers in various jurisdictions, as well as a set of detailed and procedural rules required by the Executive Regulations drafted earlier by EFS Senior Investment Advisor Hesham Ibrahim, pursuant to a recent amendment to the Companies Law. The rules were immediately adopted by the Minister of Investment Mohi El Din. ESOPs are among the new financial instruments to whose introduction EFS contributes, and constitute an incentive to enhance employee performance. The MOI sees ESOPs as a useful tool, in its privatization of insurance companies, to attract and retain committed directors and officers.

3.2.2: Enhance protection of investors in new financial instruments.

A preliminary needs assessment was completed in Quarter 2. Upon further discussion with the CMA and MCSD it was agreed that EFS will not procure computer equipment for the Investor Protection Fund. Instead, EFS will provide technical assistance on request.

3.2.3: Organize a study tour for the CMA, MOI, CASE and MCDR staffs.

In Quarter 2, per CMA request, this activity was cancelled.

3.2.4: Provide training for market regulatory and operational staff in the new rules and regulations.

In September, CMA, CASE and MCSD, with EFS assistance, organized a qualifying training course, "Margin Trading, Short Selling and Same-day Trading." Eight securities brokerage firms totaling 48 participants attended the course in order to qualify for a CMA license to practice same-day trading. Senior Investment Advisor Hesham Ibrahim delivered two-three hour training sessions:

- "Margin Training and Short Selling." Originally prepared by ST Advisor Charlie Rubin in Quarter 2.
- "Regulatory and Operational Aspects of Same-day Training." Prepared and delivered by Hesham Ibrahim.

Presentations covered the various types of risk management tools that can be used to minimize risks associated with introducing these trading mechanisms.

3.2.5: Establish a dual accreditation system.

At the CMA's behest, EFS and EU representatives met together with Dr. Ahmed Saad, deputy chairman, CMA to discuss coordination of the European Union-funded corporate

governance project with EFS activities. One area where the two projects may collaborate is in the certification of market intermediaries, particularly in respect to NFIs. EFS and EU will continue to coordinate work and a meeting with NASD advisors, scheduled to be fielded in Quarter 4.

3.2.6: Enhance the regulatory framework for mutual funds to confirm to international standards.

This work is planned to commence in Q4.

3.2.7: Remove impediments on activating the supply and demand for fixed-income securities.

ST Settlement and Depository Expert Peter Premk submitted a report on DvP. The report includes recommendations to improve the DvP process, fixed-income instruments and an initial design for the direct transfer gross settlement system (DTGS). The recommendations are under consideration by Task 3.

3.2.8 Enhance the legal and regulatory framework for financial leasing and factoring.

In response to a request from the Senior Financial Advisor to the Minister of Investment Abdel Hamid Ibrahim, ST Senior Financial Advisor Rehab Sharaf El-Din, in cooperation with the Task 3 technical team, prepared a concept paper and presentation, "Factoring: A Tool for Economic Development." The paper includes a description of factoring as a financial tool, its mechanisms and benefits to the market. Mr. Ibrahim will deliver the presentation to the Minister of Investment and the chairman of the General Authority for Investment and Free Zones (GAFI) in October. The purpose of this paper is to plan EFS efforts with the relevant counterparts to enhance the legal and regulatory framework for the introduction of factoring.

To further assist the MOI, Task 3 plans to field Stephen Strauss in Quarter 4 to prepare a policy paper and draft regulations on domestic and international factoring. The policy paper will serve as a discussion draft for developing the legal and regulatory framework for factoring.

Work on leasing also commenced this quarter. Senior Financial Advisor Heba Zayed prepared a presentation, "Leasing: A Tool for Economic Development." Mr. Ibrahim will deliver the presentation to the Minister of Investment and the chairman of the General Authority for Investment and Free Zones (GAFI).

3.2.9: Presentations for judges and prosecutors on new instruments, laws, and regulations.

This activity was completed with the delivery of an "Informational Presentation" to judges and prosecutors in Quarter 2.

KRA 3.3: Modernized Collateral Registry in Operations, to Secure Interest in Personal (Moveable) Property.

No activity during this reporting period.

KRA 3.4: Enhanced Capacity of Courts to Mediate Secured Lending Disputes.

Work on this KRA is scheduled to commence in Q 4.

B. Activities Scheduled for Next Quarter

- NASD new financial instruments assessment. (KRA 3.1)
- Regulatory framework for factoring. (KRA 3.2/Activity 3.2.8)
- At the time of writing this QPR, Task 3 assumed the delivery of technical assistance, under Task 3.1.1, related to the mortgage finance liquidity facility (ELF) the Egyptian mortgage secondary market infrastructure institution. Activities pertaining to this include:
 - Legal review of laws and regulations applicable to the ELF
 - Determine the business model and prepare a five-year business plan for the ELF, and an offering memorandum for its investors
 - Regulatory assistance on modeling the framework whereby the MFA would regulate the ELF.

C. Challenges Encountered and Proposed Remedial Actions

No problems encountered this quarter.

TASK 4: ESTABLISH A BROAD-BASED CREDIT INFORMATION SYSTEM

A. Activities Performed During Quarter

Key Accomplishments

- CBE Licensing requirements for a private credit bureau approved by CBE BOD in August.
- Draft rules and regulations further refined.
- Provided CBE with requested sample agreements.

KRA 4.1: Strengthen the Capacity of CBE for Oversight of Private Information Systems and Protection of Consumer Rights

Significant attention was given this quarter to clarifying the roles/functions of the Public Registry and the credit bureau. EFS evaluated the recommendations given to the CBE by a WB advisor regarding the Public Registry. This was to ensure that planned enhancements to the Public Registry, which currently records only loans of LE 30,000 and above, would not impede the launching of a private credit bureau. A report, "Status Report: Credit Bureau Models in Egypt" (Technical Report #14) was completed and delivered to the EFS CTO, DCTO, and Magdy Khalil/USAID August 28, 2005. The report reviews the World Bank consultant's recommendations to the CBE and provides some suggestions on how EFS and IFC can cooperate/coordinate with assistance to the private sector credit bureau.

4.1.1: Assist the Central Bank of Egypt (CBE) in consolidating its role as credit bureau regulator and licensor.

Licensing requirements. EFS worked steadily throughout this quarter to develop, with international experts and the CBE, credit bureau licensing requirements. The requirements were formally approved by the CBE BOD in August. The requirements are posted on the CBE website, www.cbe.org.eg.

Rules and regulations. EFS delivered to the CBE this quarter all comments and observations on credit bureau rules and regulations provided by EFS consultants Larry Ulrich and Oscar Marquis. A second round of discussions and a review of the rules and regulations will take place once CBE has reviewed a number of sample agreements provided by EFS consultants pertaining to credit bureau's relations with different entities.

On September 21 EFS forwarded all documents collected and prepared by EFS experts to the CBE Working Team. Throughout the quarter, EFS has worked with the CBE to provide sample documents, such as standard service contracts and third-party documents pertaining to credit bureau oversight and operations.

4.1.2: Review and assess present regulatory capability within CBE to oversee a private credit bureau.

EFS and international experts continued to develop the rules and regulations that must be in place to supervise a credit bureau. As reported in Activity 4.1.1, EFS provided CBE with draft rules and regulations. The rules and regulations are now under review by CBE officials. EFS anticipates that the rules and regulations will be finalized and formally approved by the end of the year.

On August 23 Task 4 Team Leader Marian Mishriki, Senior IT Advisor Ibrahim Sabri and ST Credit Bureau Advisor Miguel Llenas met with the CBE Deputy Governor Abdel Aziz to discuss Mr. Llenas's draft report and recommendations. During the meeting, areas for EFS assistance were discussed. Areas for assistance include:

- Data format
- Agreements between credit bureaus and other entities
- CBE's consumer protection role
- Private sector credit bureaus
- CBE and credit bureau(s) relations
- Pricing for credit bureau services

4.1.3: Observational study tour to Turkey

Completed in Q2.

4.1.4: Assist the CBE to consolidate its role as the authority that will oversee consumer protection as pertains to Credit Bureau Operations.

With licensing requirements finalized this quarter, and rules and regulations nearing completion, EFS has initiated preliminary discussions with the CBE on a strategy to develop CBE's role as the authority overseeing consumer protection-related issues. In order to clarify CBE's role within the Egyptian legal framework, EFS carried out a detailed legal review of all pertinent Egyptian laws pertaining to consumer and privacy rights. (See 4.1.5)

4.1.5: Assess the legislative framework.

A comprehensive review of all Egyptian laws relevant to the regulation and operation of a private credit bureau was completed this quarter. A report, "Legal Review: Licensing, Regulations and Central Bank of Egypt Oversight of Credit Bureau Operations" (Technical Report #11), was completed and delivered to USAID August 28. The report includes a comprehensive review of the existing legal framework, Banking Law amendments, and specifically, a review of privacy and consumer rights in Egyptian law.

Arab Legal Consultants, an EFS legal subcontractor commenced reviewing all legal documents and observations/comments provided by ST experts Oscar Marquis and Larry Ulrich to determine whether terms and conditions for credit bureau operations are compatible with Egyptian laws and verify/amend the first version of rules and regulations delivered to CBE in June. A first draft was delivered the end of September and is under review by EFS. The report, together with a second version of rules and regulations, will be ready for discussion with CBE and ST Credit Bureau Advisor Miguel Llenas in October.

4.1.6: Review and assess CBE IT needs.

Activities in this area are scheduled for Q4. In anticipation of EFS assistance in this area, Task 4, and the EFS IT Team initiated preliminary discussions with relevant CBE IT management to prepare a strategy plan regarding CBE IT needs.

KRA 4.2: Private Sector Credit Bureau(s) Operational

During this quarter, Estealam, Egypt's first private credit bureau received a preliminary license to operate. The license was granted by CBE on August 30, 2005. On September 5, 2005 the credit bureau selected its first board of directors. Mohamed El Kafafy, Banque Misr, was named chairman. Mohamed El Ashmawy, CIB, was named vice chairman.

Following the appointment of Mohamed El Ashmawy in August as chairman of the credit bureau, EFS and USAID met with the chairman to brief him on EFS project activities, important issues pertaining to credit bureau operations and assistance that EFS can provide. EFS followed up with a series of meetings that culminated in a MOU prepared by EFS and delivered it to the credit bureau for review. The comprehensive proposal includes tentative dates, division of roles and responsibilities, estimated level of effort, and costs.

Task 4 is also in discussion with the International Finance Corporation (IFC). CIB headed up the bank consortium's initiative to form a private credit bureau prior to the official formation of Estaelam. Ongoing discussions include areas for cooperation and coordination in assisting the credit bureau to become fully operational. It is the understanding of EFS that the Credit Bureau prefers to deal with one consultant group and that the BOD will select either EFS or IFC at their next board meeting in October.

4.2.1: Review models of credit bureaus.

EFS continued this quarter to provide both the CBE and the credit bureau with credit bureau business models. A report prepared by Miguel Llenas, "Credit Bureau Business Models, Success Factors and Technological Issues" (Technical Report #16) was delivered to USAID September 11, 2005. On August 22, 2005 ST Credit Bureau Advisor Miguel Llenas made a presentation, "Credit Bureau Optimal Ownership/Management Structure." The presentation discussed ownership/management structure, the importance of gathering information from all sources and that a credit bureau should serve the whole market, not just the banking sector. Representatives of financial and GOE institutions including the CBE Deputy Governor Mr. Abdel Aziz, a number of CBE officials, the National Bank of Egypt, the Social Fund for Development, the Commercial International Bank (CIB), IFC, USAID, and EFS representatives attended the presentation.

4.2.2: Determine credit bureau licensing requirements.

EFS completed and delivered draft licensing requirements to the CBE. The report, "Legal Review: Licensing, Regulations and Central Bank of Egypt Oversight of Credit Bureau Operations" (Technical Report #11), provides a detailed discussion on requirements and procedures to license credit bureaus.

4.2.3: Conduct a workshop targeting government agencies that provide information.

On September 27, 2005, EFS sent a formal letter to the CBE deputy governor to inform him of an EFS plan to initiate contact with relevant ministries and public authorities. EFS received a green light from the CBE and will initiate work in Quarter 4. Given the sensitive nature of addressing information collected and provided by various government ministries and agencies, EFS is preparing the workshop's agenda in close coordination with the CBE.

4.2.4: Identify legal/regulatory impediments.

Impediments to the legal/regulatory framework for credit bureau regulation and supervision are addressed in, "Legal Review: Licensing, Regulations and Central Bank of Egypt Oversight of Credit Bureau Operations" (Technical Report #11).

4.2.5: Study and determine the best mechanism for government agencies and non-bank financial institutions to provide and share information with a private credit bureau.

To date, at the request of CBE, EFS has focused efforts on putting in place the legal and regulatory framework for credit bureau operations.

4.2.6: Analyze the quality and timeliness of demographic and other essential information controlled by state agencies.

See Activity 4.2.3.

4.2.7: Examine and assess the IT capacity of the present credit reporting system that provides borrowers' credit information to the CBE public registry.

During this quarter, Task 4, the EFS IT Department, the CBE Public Registry Manager, and the CBE Assistant Sub Governor for IT, held preliminary discussions on credit bureau IT requirements, the present capacity of the CBE IT reporting system and the interface for existing automated information providers. A detailed assessment will get underway in Q4.

KRA 4.3: System of Protection in Place for Consumer Rights

4.3.1: Review Egyptian laws as they pertain to the protection of consumer rights.

Task 4, in conjunction with our two Egyptian legal subcontractors, completed research and a review of privacy rights, laws pertaining to the exchange of information, and a review of the Banking Law and its amendments. This was done to assist CBE to establish procedures for the protection of consumer rights. These procedures are included in the draft rules and regulations (KRA 4.1). The report addresses privacy rights and exchange of information, and confirmed that a consumer's privacy is protected under existing Egyptian law.

4.3.2: Assist CBE to build and strengthen a consumer protection unit.

CBE has requested that for the immediate future, EFS focus assistance on the legal framework for credit bureau operations and consumer protection work, licensing requirements and rules and regulations. Upon finalization and approval of the credit bureau rules and regulations by the CBE BOD, EFS and CBE will address this Activity.

B. Activities Scheduled for Next Quarter

- In Quarter 4 we will finalize the second version of rules and regulations. This will be done with technical assistance from ST Credit Bureau Advisor Miguel Llenas and our local legal counsel, Arab Legal Consultants. (4.1)
- Prepare and discuss data and the data format that will be required for banks/information providers to feed data into the private credit bureau. (4.1/4.2)
- Assess and address CBE IT requirements. (4.1)
- Define, in detail, EFS technical assistance to the credit bureau planned for 2006. Also, coordinate EFS work with IFC. (4.2)

C. Challenges Encountered and Proposed Remedial Actions

There were no significant challenges incurred this quarter.

SECTION III: Project Management, Monitoring and Evaluation

Project Management.

Peter Bittner, senior vice president, Chemonics and EFS project manager was in Cairo August 13-26, 2005. During his visit, Mr. Bittner reviewed project progress with EFS project management and staff, USAID and counterparts. Mr. Bittner's trip was charged to Chemonics' overhead.

Tracy Cox, PMU manager and Emet Mohr, PMU associate, traveled to the EFS offices September 9 - 29. They reviewed the EFS budget and MM&E data with project staff. They reviewed the EFS project budget with USAID CTO, Gregg Wiitala. They also met with EFS local subcontractors to review costs incurred to date and review budgets. Mr. Mohr's trip was charged to Chemonics' overhead.

EFS Long and Short-term Staffing

During this reporting period there were the following staff changes.

Ms. Amy Hagan, Training Manager, joined the project on August 1, 2005 after short-term work on the project in June and July.

Ms. Ola Attia, EFS office coordinator at the MFA, resigned August 3, 2005. Ms. Attia was on a short-term contract and opted not to renew. To date, the position at the MFA has not been filled.

Maha Eid, training specialist resigned her position effective October 13, 2005. Ms. Eid returned to EFS in Quarter 2 but decided that she would not be able to continue working.

Hanaa Hanafy, Task 4 administrative assistant, began work July 28, 2005.

Mahmoud Werdany, hired as a LT Legal researcher for Task 3, began work September 1, 2005.

Rehab Sharif El Din, a ST market advisor under Task 3, began work August 7, 2005 at the MOI. Ms. Sharif El Din has a LOE of 52 days.

Heba Zayed, a ST market regulator advisor under Task 3, began work August 21, 2005. She has an LOE of 52 days.

Khaled Serry, Task 3 ST legal advisor, started work August 16 for a LOE of 12 days.

Rehab Nour, Task 2 systems analyst completed an LOE of 40 days. She worked from May 30 through July 25.

Mossad Ibrahim, Task 2 institutional analyst completed a LOE of 30 days. He worked from June 14 through July 26.

Messelhy Bakr, Task 2 registration, worked June 22 through July 20 for a total LOE of 15 days.

Office operations. Two supplemental cell-phone lines were activated in order to ease overload of the project's landlines. The numbers are 012-175-2545/6

Monitoring and Evaluation.

A draft Program Monitoring Plan was completed this quarter. ST expert Eric Abbott worked with project management and task leaders to develop indicators to track EFS progress and impact across all four tasks. The draft plan is under review by project management. Task teams will further develop and refine indicators for measurement and, upon USAID approval, the plan will be implemented in quarter 4.

During this quarter EFS, Susanna Aulbach, ST MM&E advisor from the AMIR project in Jordan, worked in the EFS office with project management and administrative assistants to continue implementation of the EFS MM&E2 system. The system is now fully operational. MM&E2 is an automated project management system that links the home and field offices to provide more efficient technical, administrative, training, reporting and financial management. Information can be used to create budgets for any period of time. The system also generates the required country clearance and automatically sends it to the USAID for approval. The system was developed by the Chemonics' USAID-funded AMIR project in Jordan.

Information Technology Department

The department provided technical support to Task 1 this quarter preparing the necessary RFPs and review of bids for MFA IT needs. The department also commenced preparation for a Task 2 RFP to make the MOJ Training Development Laboratory operational. Additionally, the department is providing ongoing support to Task 4 in discussions on CBE IT needs and software/hardware needs of the new credit bureau.

Training Department

The Training Team completed development of a Training Provider/Facility Database.

Maha Armush, a HO training specialist, worked with the team to further refine the EFS Training Plan.

Sherry Henien joined the Training department as a Training Administrative Assistant on October 11, 2005.

















Public Awareness

The Public Awareness Team completed and distributed a second EFS newsletter, "Market Pulse" in August. The newsletter was prepared in a bilingual format. Worked commenced on the newsletter's third edition in September.

The EFS Communication and Public Awareness Strategy was presented to counterparts during the quarter. Presentations were made to new executives at the MFA and MOI and their comments and suggestions were incorporated into the overall strategy.

ANNEX 1: EFS YEAR 1/QUARTER 3 ACTIVITIES STATUS MATRIX

Task 1: Establish a Supporting Framework for the Real Estate Finance Industry

1.1 Strengthen MFA's Institutional Capacity to Supervise the Real Estate Finance Industry in Egypt						KEY: Activity start and end Event/Program  Ongoing activity  Delivered  	
Focus Area		Q1	Q2	Q3	Q4	Deliverables/Output	Status
1.1.1	Identify GOE objectives and priorities.					Memorandum of Understanding signed between EFS and MFA.	New Target Date: Q4. MOU under review by counterparts.
1.1.2	Establish Real Estate Finance Working Group.					Real Estate Finance Working Group established with MFA Board of Directors as per directions of MOI and MFA chairman.	Completed. Working Group established and meeting on an as-needed basis.
1.1.3	Review and revise MFA organizational structuring, staffing, and operations.					MFA becomes operational under a well-conceived organizational structure, with most staffing requirements fulfilled.	Advertising and screening of candidates commenced. Delay incurred with change of management.
1.1.4	Assist MFA capacity building and develop a business plan.					MFA business plan completed.	Completed: DRAFT MFA Business Plan and Policy Paper
1.1.5	Prepare a MFA training-needs assessment plan.					MFA training assessment plan completed.	Completed: An initial assessment was done. Refinements to plan are on-going.
1.1.6	MFA Training Program.					On-the-job training for MFA staff.	Ongoing.
						EFS-sponsored seminar on Mortgage Insurance.	Completed: February 13, 2005
						Strategic Planning (OTJ).	New Target Date: Q4. Activity rescheduled to coincide with completion of MFA Business Plan.
						Wharton International Housing Program (Short course in US).	Completed: MFA Chairman Torgoman and BOD member Lubna Helal attended. June 6-16, 2005
						Stimulate Investor Interest in Egypt Mortgage Market.	New Target Date Q4.
						Application of Licensing Enforcement and Consumer Protection.	To be initiated in Q4. Recommendations submitted to new management Q3.














1.1.7	IT support for MFA.					MFA preliminary IT needs operational. Preparation of specifications, equipment procurement, an IT training-needs assessment, assessment of website content needs, and development of approaches to data base/filing systems.	Completed: MFA preliminary IT needs operational. MFA IT Needs Assessment, Procurement Plan, Website Content Assessment and Top-level design. Equipment procurement underway. Mortgage Finance Authority Information Technology Needs Assessment (Technical Report #12)
1.1.8	Review status of laws and examine regulatory issues including underwriting, foreclosure, compliance and curative actions.					MFA regulations for industry.	ST Regulatory Specialist Greg Taber submitted an outline of his report, a draft for qualifications for foreclosure agents and a draft of a regulation to license/regulate foreclosure agents. All documents shared with the MFA chairman. Report, examination and manual in process.
1.1.9	Create a MFA consumer protection and outreach function (public awareness and education).					Consumer Information Booklets for Ministry of Investment.	Completed: Consumer Mortgage Information Guide. Fact Sheet and posters prepared.
						Develop public awareness plan for MOI.	Completed: Mortgage Fact Sheet. Fact Sheet final copies were delivered to MOI MOI Poster.
						Progress Report on survey of Greater Cairo area home buyers' level of knowledge about real estate financing.	Completed: Survey findings presented to MFA and USAID April 18. Final report to be delivered early July (Q3).
						Develop Media Education Program	Completed: Media Education Program framework developed. • Press Roundtable. April 19. The MFA's Role and Executive Regulations.
						Work with MFA to strengthen newly-formed Consumer Information/Protection Unit.	SOW prepared for consultant to develop a communication strategy and assist with capacity building in Unit.
1.2	Required Legal, Regulatory and Administrative Reforms Promulgated and Investment Standards and Allocation Guidelines for Long Term Investments Established						
	Focus Area	Q1	Q 2	Q3	Q4	Deliverables/Output	Status
1.2.1	Form an Inter-industry Advisory Group on legal and regulatory refinements/changes.					Inter-industry Advisory Group on Legal and Regulatory Refinements/Changes. Group identified and work initiated.	Completed: Legal Committee identified and work initiated.














1.2.2	Review real estate legal/regulatory framework (documentation and legal reform).					Working Paper on legal reform consolidated and presented to stakeholders. First drafts for standard documentation and procedures.	Collection of Documents and Forms completed. Draft concept paper delivered.
1.2.3	Provide standardized protections for borrowers, administered by GOE entities for mortgage and consumer loans.					Working Paper on legal reform.	Draft concept paper delivered.
1.2.4	Review existing laws and regulations to determine constraints, if any, to the formation of relevant associations (mortgage lenders, appraisers, homeowners, etc.). Recommend legal basis for association development. Analysis of approaches used in other countries					Findings presented in Working Paper on legal reform.	To be undertaken in 2006.
1.2.5	Training to enhance understanding of mortgage finance legal and regulatory issues.					Training to upgrade lending standards and harmonize supervision/regulation with issues identified.	Activity will be addressed upon completion of concept paper on legal reform.
1.3	Real Estate Professions Stimulated, Industry Brought to International Standards & Other Services Developed						
	Focus Area	Q1	Q 2	Q3	Q4	Deliverables/Output	Status
1.3.1	Identify and prioritize associations that are necessary for a healthy real estate and mortgage-lending market in Egypt.					Associations identified and contacted.	Completed: Associations identified and contacted. Work has now commenced to develop training for the associations and related professions.
1.3.2	Identify and review training packages for similar trade associations – starting with appraisers.					Training-needs assessment. Assessment completed and training initiated.	Completed: • "Appraisal Training Needs Report" (AI) Technical Report # 7 • "Training Needs Assessment Report"(MBA) Technical Report # 8 Both reports delivered to USAID Jul 15, 2005
1.3.3	Conduct basic-level training for targeted trade associations that are established or are in preliminary stages of					Demonstration training provided with and for association partners.	Appraisal training and mortgage banking training programs initiated

	establishment.						
1.3.4	Identify training needs, develop curricula and implement training.		.....→				Ongoing for upgrades
1.3.5	Explore possibility of MFA-sponsored workshop on the development of Egypt's real estate regulatory and industry environment.				●	Conduct an industry-wide real estate workshop to update stakeholders and plan coordinated development of the industry.	Postponed until 2006
1.3.6	Consider and discuss the formation of a public-private-partnership between MFA and Appraisers.				→	Deliverable to be determined.	Deliverable to be determined.
1.3.7	Investigate ways to use existing industry data systems in a shared environment.		→			Present results of data sharing and information systems study to relevant stakeholders.	
1.4	Stable Term Funding Established and Loans Originated						
Focus Area		Q1	Q 2	Q3	Q4	Deliverables/Output	Status
1.4.1	Identify and contact primary lenders and investigate current lending practices.		→ ▲			Develop database, track obstacles, reforms and data	Completed: Database developed and EFS is tracking mortgage contracts and loans.
1.4.2	Develop training programs targeting mortgage companies.		.....→			Training program for lenders formulated and courses delivered.	Completed: A needs assessment of mortgage finance companies. Technical Assistance to El Taamir under discussion. Consultant identified carry out a detailed assessment.
1.4.3	Initiate quarterly check of loan data.		.....→				Initiated in Q2. Ongoing activity.
1.4.4	Review current status of guarantee and subsidy fund programs. Investigate whether government objectives for the guarantee fund are met.		→			Payment Guarantee Fund Study: Study of subsidy programs with recommendations (stating adverse impacts on mortgage financing).	Draft GSF Report completed. Presentation to MFA , MOI September 12 GSF Restructuring. ST Advisor David Smith presented his report and made separate presentations to the MFA chairman and deputy chairman, the MFA and GSF board members, and MOI representative Sherif Oteifa. The presentation received positive feedback and Mr. Smith was asked to write a policy concept brief on subsidies

1.4.5	Identify current investment vehicles and obstacles to investments in real estate assets.				→	Report on findings.	Liquidity Facility work in Q4 and 2006 to remedy lack of long-term funding sources.
1.4.6	Address needed regulatory and legal reforms for mortgage securitized bonds.				→	Initiate analysis of long-term investment practices.	Same as above. Will also involve access to capital markets.
1.5	Enhanced Capacity of Courts to Mediate/Adjudicate Real Estate Lending (enforce foreclosure)						
	Focus Area	Q1	Q 2	Q3	Q4	Deliverables/Output	Status
1.5.1	Review Real Estate Finance Law 148 and Executive Statutes (Forced sale) and foreclosure practices in Egypt.		→			Report on findings.	Completed: Draft report and concept paper on legal issues. Additional work underway.
1.5.2	Review and assess lawyers and judges knowledge of law as it applies to forced sale.			→		Needs assessment of judges and court officials.	Coordinating with AOJSII project and the MOJ to develop training specific to foreclosure.
1.5.3	Organize training on legal principles and procedures.			→	→	<ul style="list-style-type: none"> • Training-needs assessment. Needs of judges and court officials are identified. • Course materials prepared for review by the MOJ. • Training courses commence. 	Coordinating with AOJSII project and the MOJ to develop training specific to foreclosure. Will deliver training materials in Q4.

Task 2: Improve Operation of Urban Registration System in the Ministry of Justice

2.1	MOJ and ESA Establish a Strong Working Relationship and Commitment to Improve the Registration System in Urban Areas					KEY: Activity start and end Event/ Program  Ongoing activity ▶ Delivered 	
	Focus Area	Q1	Q 2	Q3	Q4	Deliverables/Output	Status
2.1.1	Develop a common vision and policy mandate with our partners for urban registration.					Project Execution Agreement (PEA) signed between MSAD, MOJ, ESA and EFS. PEA to include authorization for EFS to commence work on pilot registration system at 2 REPD and ESA model office locations.	Completed: MOU between EFS MOJ/REPD August 24 MOU between EFS and ESA August 14 Form of agreement with MSAD pending
2.1.2	Identify GOE objectives and priorities for urban registration and include best use of donor resources.					GOE objectives and priorities for urban registration identified incorporated into PEA. GOE statement on short-term objectives, priorities and project preparation for IBRD loan.	Completed: Preparatory notes for ESA for upcoming World Bank mission.
2.1.3	Reengineer, simplify and propose automated technical processes for use within the Registry and ESA.					Report on preliminary findings and recommendations to reengineer technical processes and business applications for registration.	Business Reengineering Specialist fielded in September. Report under preparation. Counterpart workshop planned for November (Q4)
2.1.4	Create Advisory Committee.					Advisory Committee and Secretariat established.	Draft report on the creation, role and composition of an Advisory Committee under review
2.1.5	Identify, confirm and evaluate existing technical processes for both ESA and MOJ with each agency prior to any re-design.					Report: Detailed assessment of existing business processes for deeds and titles with proposed reengineered business processes.	Completed: Assessments completed during Q2. EFS and counterparts concur that a major redesign of administrative processes, supported by revised or new implementing regulations is the best move forward.
2.1.6	Carry out a preliminary assessment of capacity building requirements for each agency.					Report: Findings and preliminary recommendations for capacity building.	Preliminary assessment of required organizational changes commenced.
2.1.7	Assess customer attitudes to registration. Information will feed into counterparts' registration strategy.					Progress report on public's attitudes towards property registration in Greater Cairo.	Completed: "Consumer Attitudinal Survey Report: Knowledge, Attitudes and Behaviors of Cairo Flat/House Owners and Potential Owners: A Baseline Survey".

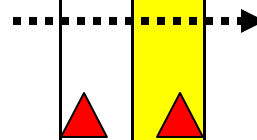





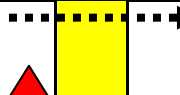
2.1.8	Assess regulatory and legal changes necessary to support registration.				Report to include proposed legal reform by priority for the short, mid and long term.	Two legal experts fielded in late Q3 are preparing a report on legal and regulatory changes needed to support registration.	
2.1.9	Comparative analysis of internationally accepted best practices in land registration.				Comparative study tour on best practices in modernizing registration systems.	Completed: EFS-sponsored delegation attended “Land Registration in Arab Countries: Challenges and Ambitions” September 1-3, 2005 Amman, Jordan. Delegation presented four papers on aspects of registration. Report	
2.1.10	Prepare/Execute Bilateral Agreements for review and signing between MOJ, ESA and EFS.				Agreement to implement Preparatory Title registration in two selected urban locations between MOJ/REPD and ESA.	Completed: MOU between EFS MOJ/REPD August 24. MOU between EFS and ESA August 14.	
2.1.11	Develop Media Education and Communication Strategy.				Media Education Communication Strategy	Specialist identified for preparing public information registration strategy in Q4.	
2.2	Automation Design Phase of Business Applications of Pilot System for Registration						
	Focus Area	Q1	Q2	Q3	Q4	Deliverables/Output	Status
2.2.1	Address functionality requirements of RO's in proposed applications, their design, architecture, reliability, flexibility and scalability.					Report: Assessment of Automation and Technology Needs for Registry Offices and ESA.	New target date for report delivery: Q4. Consultant identified to be fielded in Q4.
2.2.2	Address capabilities of proposed applications to manage all aspects of land records.					Report: Final Draft Design and Demonstration of Prototype Applications.	Experts identified and scheduled to be fielded in Q4.
2.2.3	Design automated systems to capture, maintain and manage survey data and cadastral information.					Automated systems.	Q4 and Q1 Year 2.
2.2.4	Introduce steps within the application design to facilitate and strengthen adjudication processes.					Year 2	Q1 Year 2.
2.2.5	Analyze, evaluate and identify the IT platforms required to support the business applications.					Report: Recommendations for Unique Property Locating System.	Completed: • Floor-plan layouts, IT specifications, bid documents and cost estimates are completed. Model registry office floor plan layout and quantities list has been reviewed, revised and

							accepted by MOJ.
2.2.6	Embed a property locator system within the design application.	→				Design Report.	
2.2.7	Work with our counterparts to identify IT systems/needs/capabilities and review technology options	→				Report on IT System needs/capabilities/options.	Completed: <ul style="list-style-type: none">Assessment and Procurement Report for Training Development Laboratory and Model Registry Offices (Technical Report #15)Information Resource Management (IRM). Two RFPs, one for the TDL and the other for ESA training center, are under preparation.
2.3 Selection of Two Model Office Locations, Training and Implementation of Pilot System							
Focus Area		Q1	Q2	Q3	Q4	Deliverables/Output	Status
2.3.1	Develop criteria for model office selection, assess potential locations, prepare short list, and review using existing model offices as initial starting point.	→				Report on model office selection, potential locations assessed, short list prepared, and review of existing model offices.	Completed: <ul style="list-style-type: none">“Assessment and Procurement Report for TDL and MROs”. (Technical Report #15) Delivered to USAID August 28, 2005Detailed floor plan layouts and equipment quantities list for model offices have been submitted, reviewed, modified and accepted by MOJ. MOJ have agreed to lease two new office spaces for EFS model registration offices.
2.3.2	Prepare implementation plan for each model office, including technical assistance and training support.	→				Implementation plan completed.	Preparation of implementation plan underway in coordination with our counterparts.
2.3.3	Collect and generate datasets.			→		Report on data for pilot areas.	Partially completed a Prototype Survey including all data such as block area, block number, parcel number, building number and unit numbers are collected, collated and digitized in map form for six trial blocks.
2.3.4	Design a multi-component training program.	→				Comprehensive training program for pilot model registry offices.	

2.3.5	Design a training manual on mass formalization campaigns, rapid adjudication techniques and systematic rolling adjudication.				→	Technical training manual and guide on adjudication and mass formalization campaigns.	
2.3.6	Public Awareness.				→	Develop information leaflet on registration process for distribution in pilot registration locations.	
2.4	Replication Plan for Upgraded Registration System (Year 2 and 3)						
2.5	Enhance MOJ Capacity to Resolve Land and Real Property Disputes (Year 2 and 3)						
2.6	Private Sector Participation in Registration (Year 2, 3 and 4)						


Task 3: Develop Framework and Procedures for Secured Lending and New Financial Instruments

3.1 Diversity of Financial (for Investors) and Financing (for Borrowers) Instruments Expanded						KEY: Activity start and end Event/ Program ● → Ongoing activity Delivered▶ ▲
Focus Area	Q1	Q2	Q3	Q4	Deliverable/Output	Status
3.1.1 Form an Inter-industry Advisory Group.		→			Formation and operation of an inter-industry working group on new financial instruments	EFS is working with small groups pertinent to the specific financial instrument. Working groups are ad hoc and meet on an as-needed basis.
3.1.2 New Financial Instruments.		→			Assessment Report: Market needs for new financial instruments, impediments, and recommended enhancements.	In Q4 NSAD advisors and EFS will carry out a market assessment for NFI.
		.....▶			Training: Workshops for business and financial market association on new financial instruments	Ongoing activity. Carried out training in margin trading and short selling in cooperation with CMA, CASE and MSCD.
3.1.3 Plan and execute public awareness campaigns.	.....▶	.....▶	.....▶		Press Forums/Publications: Series of publications and regular press forums on financial instruments and markets.	Completed: <ul style="list-style-type: none"> Press Forum Sept. 19. Chairman Serai El Din presented CMA strategy for 2006. Publication: "Guide for Issuers of Asset-backed Securities"
	▲	▲	▲			
3.2 Market and Regulatory Capacity Enhanced for New Instruments						
Focus Area	Q1	Q2	Q3	Q4	Deliverable/Output	Status
3.2.1 Enhance the CMA market rules and regulations.		→			New rules and regulations for new instruments issued.	Completed: <ul style="list-style-type: none"> Margin trading and short-selling rules approved by CMA and issued by Ministerial Decree June 9, 2005. Draft disclosure and reporting rules specific to various asset-backed securities delivered to CMA June 19, 2005
3.2.2 Enhance protection of investors in new financial instruments through the Investor Protection Fund.		→			Needs assessment and necessary computer equipment procured for Investor Protection Fund and training in IPF operations.	Completed: Preliminary needs assessment. Upon further discussions with the CMA and MCSD it was decided that EFS will not procure computer equipment but will continue offering technical assistance when requested.
3.2.3 Organize a study tour for the CMA, MOI, CASE and MCDR staffs.			●		Study tour to US market institutions on regulator and broker activities in margin trading and short selling.	Activity cancelled as per CMA request.

3.2.4	Provide training for market regulatory and operational staff in the new rules and regulations.		Market and regulatory staffs appropriately trained in new rules and regulations.	Completed: <ul style="list-style-type: none">• Securitization: CMA and issuers trained.• Margin Trading: CMA staff trained.• Short selling Internal Procedures Manual to be completed upon adoption of CMA securitization rule.
			Broker--Dealer Regulation and Enforcement Program	Activity Completed. Broker--Dealer Regulation and Enforcement Program. Bahrain, May 2005
3.2.5	Establish a dual-accreditation system.		Accreditation-training system for qualifying market professionals is developed.	Discontinued as assistance being provided by a European Union project. EFS, EU and MFA exploring possible collaborate on the certification of market intermediaries.
3.2.6	Enhance the regulatory framework for mutual funds to conform to international standards.		New regulations for mutual funds are developed.	Q4
3.2.7	Remove impediments on activating the supply and demand for fixed-income securities.		Study: Activation of Secondary Market for Fixed-Income Securities.	Enhancements recommended at investor and banking level; under consideration by CMA. Draft report on delivery versus payment (DvP) was completed.
3.2.8	Enhance the legal and regulatory framework for financial leasing and factoring.		New regulatory framework for financial leasing and factoring is developed. Special unit at CMA is established and trained in rules and processes of financial leasing and factoring.	Two concept papers prepared for the MOI Senior Finance Advisor. <ul style="list-style-type: none">• “Factoring: A Tool for Economic Development”.• “Leasing: A Tool for Economic Development”
3.2.9	Workshops for judges and prosecutors on new instruments, laws and regulations.		Needs assessment workshops: Needs assessment of judiciary training needs and workshops on new financial instruments.	Activity Completed. Informational presentation convened June 9-11 for 40 judges and prosecutors.

3.3		Modernized Collateral Registry in Operation to Secure Interest in Personal (Movable) Property					
Focus Area		Q1	Q 2	Q3	Q4	Deliverable/Output	Status
3.3.1	Establish Collateral Registry Working Group.		→			Collateral Registry Working Group established and operational.	Activity to target improving the Leasing Registry. Preliminary study and concept paper underway.
3.3.2	Present an overall vision for the collateral registry.		.....→			Workshops on functions, requirements, international standards and best practices of collateral registry for interests in personal property.	Pending further discussion with GAFI chairman. New target date not set.
3.3.3	Assess existing registry.			→		Assessment Report: An assessment of existing registry system and recommendations for enhancement.	
3.3.4	Conduct an observational tour of collateral registries.				●	Study Tour: A study tour of one or more relevant model collateral registries.	
3.3.5	Develop a strategy and implementation plan for the collateral registry.				→	Strategy/Implementation Plan: Plan for establishing a modern collateral registry is developed and submitted to the MOI for approval.	
3.4		Enhanced Capacity of Courts to Mediate Secured Lending Disputes					
Focus Area		Q1	Q 2	Q3	Q4	Deliverable/Output	Status
3.4.1	Review possible restructuring of courts to deal with secured-lending transactions				→	Assessment Report: Assessment of the current judicial system for secured-lending disputes and review of possible alternatives with recommendations.	Q4
3.4.2	Recommend draft legal framework for proposed court restructuring.				→	Draft legal framework for proposed court restructuring.	Q4

Task 4: Establish Credit Information System

4.1 Strengthen the Capacity of CBE for Oversight of Private Information Systems and Protection of Consumer Rights						KEY: Activity start and end Event/ Program ● Ongoing activity Delivered → → 
Focus Area	Q1	Q 2	Q3	Q4	Deliverables / Output	Status
4.1.1 Assist the CBE in consolidating its role as a credit bureau regulator and licensor.		.....→			Develop and establish an operating framework. Training plan for CBE staff. Workshops/Press Forums on role and benefits of a credit bureau.	Completed: Credit bureau licensing requirements, drafted by EFS consultants in collaboration with the CBE, were formally approved by the CBE BOD.
4.1.2 Review and assess present regulatory capability within CBE to oversee a private credit bureau.		→	▲		Report: Review of credit bureau operation rules and regulations; requested by CBE. Final Report on credit bureau operations rules and regulations and a model for the CBE regulatory unit.	Credit Bureau Business Models, Success Factors and Technological Issues
4.1.3 Observational study tour to Turkey.	▲				Study Tour to Turkey: Overview of Modern Multifunctional Credit Bureau. March 21-24, 2005.	Activity Completed. Study Tour to Turkey: Overview of a Modern Multifunctional Credit Bureau March 21-24, 2005. Trip Report delivered to USAID May 2005.
4.1.4 Assist the CBE to consolidate its role as the authority that will oversee consumer protection as pertains to credit bureau operations.		.....→			Develop a communication strategy. Develop credit bureau information leaflet and incorporate information into CBE website.	Preliminary discussion have commenced with CBE. Credit Bureau leaflet and updating of website pending CBE BOD approval of rules and regulations.
4.1.5 Assess the legislative framework.		→	▲		Status Report: Legal/regulatory issues pertaining to the CBE's role as regulator and the establishment of a private credit bureau.	Completed. Legal Review: Licensing, Regulations and Central Bank of Egypt Oversight of Credit Bureau Operations (Technical Report #11)
4.1.6 Assist the CBE to review and assess IT requirements.				→	Assessment Report: Assessment of IT requirements necessary for monitoring private credit bureau operations and compliance with the law and regulations.	Preliminary discussions have commenced with CBE.
4.1.7 Training for CBE.		●			Rules and Regulations of Private Sector Credit Bureaus	Postponed. New target date not set. USAID providing assistance to identify appropriate consultant/institution for this activity.

			●			Scorecards/Credit Scoring (Seminar) June, 2005.	Postponed. Consultant identified for this activity. Target dates for training to be based on consultant's availability.
				●		Audit 411: SANS 17799 Security and Audit Frameworks (Short course in US).	Postponed per USAID request. No Target Date set.
				●		Audit 507: Auditing Networks, perimeters and systems (Short course in US).	Postponed per USAID request. No Target Date set.
4.2	Private Sector Credit Bureau Operational						
Focus Area		Q1	Q 2	Q3	Q4	Deliverables / Output	Status
4.2.1	Review models of (several) credit bureaus.	...	➡			Study of credit bureau models including findings from study tour to Turkey.	Completed: Status Report: Credit Bureau Models in Egypt (Technical Report #14)
4.2.2	Determine credit bureau licensing requirements.		➡			Assessment/Status Report: Report on ideal licensing requirements and model set up for a private credit bureau.	Completed: <ul style="list-style-type: none">Report Credit Bureau Business Models: Success Factors and Technological Issues” Technical Report #16“Credit Bureau optimal ownership/management structure”. Presentation delivered Aug. 22, 2005 by ST Advisor Miguel Llenas made a presentation
4.2.3	Conduct a workshop targeting government agencies that provide information.				●	Training workshop: Government Agencies as Providers of Information.	In response to an EFS letter sent to the CBE September 27, 2005, EFS has received the go-ahead to address this Activity.
4.2.4	Identify legal/regulatory impediments.					Review/Assessment Report: Review and assessment of existing legal/regulatory impediments.	Completed: <ul style="list-style-type: none">“Legal Review: Licensing, Regulations and CBE Oversight of Credit Bureau Operations”. Technical Report #11 Delivered to USAID August 28, 2005
4.2.5	Study and determine the best mechanism for government agencies and non-bank financial institutions to provide and share information with a private credit bureau					Report with recommendations.	Will be coordinated with Activity 4.2.3.

4.2.6	Analyze the quality and timeliness of demographic and other essential information controlled by state agencies that will feed into a private credit bureau.					Report on findings.	In agreement with our counterpart CBE, EFS will focus on banks rather than government agencies at this time.
4.2.7	Examine and assess the IT capacity of the present credit reporting system that provides borrowers' credit information to the CBE Public Registry.					IT Assessment Report: Report on present IT capacity of the credit reporting system and interface design for existing automated information providers (banks and credit bureau)	Preliminary discussions underway.
4.3	System of Protection in Place for Consumer Right						
Focus Area		Q1	Q 2	Q3	Q4	Deliverables / Output	Status
4.3.1	Review privacy, consumer protection, libel, or other Egyptian laws with regard to consumer rights and protection.					Status Report: Initial findings from review of laws, observations and recommended changes to ensure consumer protection and strengthen CBE's consumer protection unit.	Completed: “Legal Review: Licensing, Regulations and CBE Oversight of Credit Bureau Operations”. Technical Report #11 Delivered to USAID August 28, 2005
4.3.2	Assist CBE to build and strengthen a Consumer Protection Unit.					Develop information leaflet on consumer protection and privacy.	Discussions on publications and approaches to strengthening the CBE Consumer Protection Unit are ongoing. Publications will be developed and produced upon CBE BOD's approval of Rules and Regulations.

ANNEX 2: SHORT-TERM INTERNATIONAL ADVISORS FIELDIED THIS QUARTER

Name	Type of Specialist	Activity/Primary Area of Assistance	Target Dates		LOE Estimated
			Start	End	
TASK 1					
Art Dimas	Legal	1.1.3 and 1.18: MFA Legal/Regulatory Capacity Building	05-06	10-07	133 days
David Smith	Financial Restructuring	1.4.4 GSF Restructuring	07-15	07-21	14 days
			09-11	09-15	5 days
James Bothwell	Organizational Development	1.1.4 MFA Business Plan	07-08	07-21	30 days
			08-18	08-25	
Natalya Klimova	Mortgage Lending	1.3 Mortgage loan software	07-06	07-23	17 days
David Wilkes	Legal	1.2 Legal work plan	06-26	07-08	10 days
Greg Taber	Regulatory	1.4 MFA mortgage contract and loan data	08-20	09-06	16 days (2 days US)
Alan Fowler	MBA	1.3 MBA Training	09-17	09-30	11 days
Brian Handal	MBA	1.3 MBA Training	09-17	09-30	11 days
SuSheila Dhillon	MBA	1.3 MBA Training	09-17	09-30	11 days
Robert Anderman	MBA	1.3 MBA Training	09-17	09-30	11 days
TASK 2					
Noel Taylor	Cadastre and Mapping	2.1.3, 2.1.6, 2.2.6 and 2.3.3 technical processes, data sets	06-17	07-18	32 days
Faris Sayegh	Business Reengineering	2.1.3 and 2.1.6 Business processes	06-19	07-26	30 days
Peter Rabley	Registry Systems and Cadastre	2.1.3, 2.1.6 and 2.1.9	07-15	07-29	14 days
TASK 3					
TASK 4					
Larry Ulrich	Credit Bureau	4.1.2 and 4. 2.1 Review final draft of regulations and licensing requirements.	05-12	07-31	8 days US-based
Oscar Marquis	Legal	4.2.1 Documents and forms used by the credit bureau with third parties. Report explaining provisions.	07-28	08-25	12 days US -based
Miguel Llenas	Credit Bureau	4.2 Credit bureau data	08-07	08-24	16 days
Larry Ulrich	Credit Bureau	4.1 Review CBE credit bureau rules and regulations.	05-12	08-15	8 days
CROSSCUTTING					
Eric Abbott	M&E	Performance Monitoring Plan	07-01	07-15	39 days

Susanna Aulbach	M&E	Monitoring and Evaluation System	07-23	08-03	10 days
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ANNEX 3: TRAINING/EVENT ACTIVITIES DELIVERED DURING QUARTER

Type of Event	Program title	Date	Location	Task	Participants
TOT	Mortgage Banking Association Primary Lending	Sept. 18-22	Cairo	1	10
Training	Mortgage Banking Association Primary Lending	Sept	Cairo	1	10
Symposium	Land Registration in Arab Lands	Sept. 1-3	Dead Sea, Jordan	2	13
Media Forum	Capital Market Financial Forum	Sept. 19	Cairo	3	150
Training Preparation Workshops	Appraisal Institute	Sept. 25-29	Cairo	1	20
Media Seminar	Modern Mortgage Concepts	Aug. 22	Cairo	1	20

ANNEX 4: LIST OF DIRECT PROCUREMENT DURING THIS QUARTER

Additional IT equipment was ordered:

- Computer equipment and software for EFS staff.
- Audio visual equipment for workshops and training events.
- UPS for network switches to secure uninterrupted power supply process.

ANNEX 5: EGYPT FINANCIAL SERVICES PROJECT LONG AND SHORT-TERM STAFF

Project Management and Administration

Allen Decker
François-Jude Pépin
Hanaa El Bashari
Nadia Moustafa

Chief of Party
Deputy Chief of Party and Task 3 Team Leader
Operations Manager/Monitoring and Evaluation Specialist
Senior Executive Assistant and Office Manager

Amir F. Francis	IT Manager
Amr El Komy	IT Assistant Administrator
Gamal Kamel	Financial Manager
Mahira El Kassas	Accountant
Noha Fathy El Haddad	Translation and Publications Specialist
Sahar El Helaly	Translator/Interpreter
Lamia Bakr	Secretary/Receptionist

Task Management

Task 1: Mortgage Team

Kevin O'Brien	Task 1 Team Leader/ Senior Real Estate Advisor
Manal Shalaby	Senior Financial Advisor
Amal Ezz El-Din	Mortgage Finance Advisor
Lamia El Zufzafy	Organization Development Specialist
Aser Obeid	Research Assistant
Perihan Khairat	Research Assistant
Mirale El Azhary	Administrative Assistant

Task 2: Registration Team

Dougal Menelaws	Task 2 Team Leader/Senior Consultant
Fatma Abdel Kader	Cadastral Systems IT Specialist
Samer Lotfy	Business Process Reengineering Specialist
Hassem Hemeda	Real Property Registry IT Specialist
Mahmoud M. Moussa	Administrative Assistant

Task 3: Financial Instruments Team

Ahmed Hussein El Sayed	Senior Financial Advisor
Hesham Ibrahim	Senior Investment Advisor
Shamsnoor Abdul Aziz	Senior Legal Advisor
Rehab Seif	Administrative Assistant

Task 4: Credit Bureau Team

Marian S. Mishriki	Task 4 Team Leader/ Financial/Credit Specialist
Hanaa Hanafy	Administrative Assistant

Crosscutting Teams

Information Technology

Ibrahim Sabri	Senior IT Advisor
Hisham El Masry	IT Operations and Procurement Specialist
Amani Zeitoun	IT System Specialist

Training

Amy Hagan	Training Manager
Noha Sobhi	Association Development Specialist
Lubna Salem	Training Specialist
Sherry Samir Henien	Training Administrative Assistant

Public Awareness

Marwa El Maghraby
Nancy Amer

Senior Communications and Public Relations Advisor
Public Awareness Specialist

Short-term Staff

Gameil Mohamed Ibrahim
Sharon Cook
Rehab Nour

Task 2
Editor
Task 2 Systems Project Manager